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East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2305

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BRIEFS

POTAC RETURNS FROM MOSCOW--Svatopluk Potac, CSSR deputy premier and chairman of the State Planning Commission, returned from the Soviet Union on 23 July. In Moscow he had talks with Nikolay Baybakov, deputy chairman of the USSR Council of Ministers and chairman of the State Planning Committee, on current questions concerning the further intensification of economic cooperation between the CSSR and the USSR. [Prague RUDE PRAVO in Czech 24 Jul 82 p 2 AU]

CUBAN GUEST WORKERS--A festive meeting marking the 29th anniversary of the Cuban Revolution was held in the Tatra enterprise in Koprivnice on 23 July. The enterprise employs some 400 Cuban citizens. [Prague RUDE PRAVO in Czech 24 Jul 82 p 2 AU]

CSO: 2400/337

PROGRAM FOR STRUCTURAL CHANGES IN NATIONAL ECONOMY PRESENTED

Warsaw ZYCIE GOSPODARCZE in Polish 23, 30 May, 6 Jun 82

[Article by Jacek Moscicki and Alfred Musial; passages enclosed in slantlines printed in boldface]

[23 May 82 pp 1, 4]

> [Text] A characteristic of the current period is the strong pressure of present needs and social expectations for a rapid improvement in the economic situation. Hence the concepts of "postcrisis" development receive less attention than these issues, but at the same time there exists a fairly common public awareness that a permanent surmounting of the crisis and restoration of growth tendencies to the economy is not possible unless the major structural disproportions standing behind the crisis are leveled. Even now it is time to program the future accordingly.

/In the program for surmounting the crisis, the conception of the situation that can be regarded as "emergence from the crisis" is not clearly defined, to be sure, but even so it can be concluded that the public would regard it as a situation consisting in the reattainment of the level of consumption and degree of utilization of productive capacities prior to the period of collapse, i.e., in the 1977-1978 years./

Attention is being focused on expecting a tangible improvement in the level of production and organizational and technological discipline as well as on coping with factors producing the keenest and most adverse effect on the living conditions of the population. This is natural, since these are precisely the social priorities. But what matters is that these activities should from the outset be subordinated to some long-range concept of assuring productive capability in the long run. Essentially, the restructuring program represents precisely an attempt to formulate a picture of an economic structure that would assure such a capability as well as ways of economic restructuring oriented in that direction and instruments for controlling that restructuring. /The concept of the long-range restructuring should thus provide the broad strategic background for the program for surmounting the crisis, existing in a close logical relationship with that program./

Let us draw attention to the unique opportunities inherent in the present situation. /What seems difficult to implement during the normal functioning of any mechanism/--including the economic mechanism--because it entails disturbances in that mechanism and, like any change, is risky compared with what already works (though not so well), /appears easier in a situation when several elements of a mechanism cease functioning/. The natural inclination, then, is not to reconstruct the mechanism in its previous form but to take advantage of its stoppage, which is now a fact, by markedly improving it even if this costs more. History shows that many economic mechanisms had their structure successfully transformed and gained potential for growth precisely because they faced the breakdown or a deep disorganization of their previous structures. (As most recently exemplified by the changes forced upon the economies of the highly industrialized countries owing to the oil crisis.) This may sound paradoxical, but, /in a way, this represents a "positive" aspect of the crisis which is worth perceiving/.

By restructuring we mean a set of simultaneous comprehensive measures to alter the economic macro- and microproportions in the sphere of production, consumption, investments, employment and foreign trade. In this sense, the concept of restructuring markedly transcends the traditionally interpreted domain of structural changes in production and in the commitment of production factors, and it comprises all the basic activities making up the economy. By restructuring actions we mean /a set of measures taken in the material, informational and regulational sphere to implement the planned changes/ in a close relation to the evalution of the operating system of the economy. Here it is worth noting that the functions of restructuring processes differ depending on whether the macro- or microeconomic sphere is concerned.

Structural changes in the macroeconomic sphere mean changes in the shares of discrete branches and subsectors in the generation of national income and commitment of manpower and production resources as well as changes in the structure of the distribution of the principal elements of the division of national income: consumption and investments, and also changes in the structure of foreign trade. The principal subject of the microstructural system, on the other hand, is production organizations and discrete products composing the concept of variety of output.

The manipulation of macrostructure hinges to a large extent on the effective influencing of structural transformations at the unit of production organizations. /The traditional policy of structural changes proved to be, as a rule, much more effective as regards the formation of macroproportions, being accompanied by a definite lag in the sphere of the microstructure. (This is a feature observable in all socialist countries.)/

In our present situation the process of restructuring would take place under changed system conditions necessitating the adaptation of methods for its implementation to the operating principles of enterprises. Restructuring under these conditions will be, generally speaking, effective and consonant with the assumptions of the state's economic policy only to the extent to which it is shaped in that direction by centrally exercised instruments for influencing the enterprises.

We believe that, provided the instruments and parameters of centralized guidance are properly selected and the approach to the new system is flexible in the sense that the "spirit of the reform" is adhered to in lieu of adherence to the once formulated economic-legal system--the new operating principles of the economy harbor the promise that the maneuver of structural transformation will be more effective than ever. An effective transmission of the goals of the central level to the enterprise decisionmaking level represents the basic implementation dilemma of the restructuring process and, essentially, of the entire system of planning and management in the coming years.

/The attempt to formulate a concept of long-range transformations must proceed from a diagnosis of the principal weaknesses of the current structure, whose basic disproportions are manifested in:/

--the formation of a huge foreign indebtedness along with a shortage of export capabilities;

--deep disproportions in productive capacities, especially between the fuel-energy industry and the other branches of industry, as well as among the coproducing plants of various subsectors;

--overinvestment, i.e., the impossibility of utilizing the completed productive capacities owing to lack of raw materials and coproduction elements;

--the rise of excess purchasing power, greater than the supply of goods and services, which weakens the effect of incentive systems and the economic mechanism in enterprises;

--insufficient capability of agriculture, due to the failure to adapt the supply of means of production to the needs of agriculture, as well as owing to faulty agricultural policies;

--the divergences between employment in many industrial subsectors and the actual manpower demand in the presence of limited production possibilities.

None of the above-mentioned principal structural disproportions could be effectively countered in the economic practice of recent months. This is due to both the sociopolitical realities of 1981 and the economic policy adopted in August 1981 and still being continued.

A definite accomplishment of the recent period has been the halting--initially by organizational measures and subsequently to an increasing extent by means of material incentives--of the trends toward a decline in the extractive industries, followed by an increase in extraction. This has resulted in a marked improvement in the energy supply of industry--irrespective of the decline in the damand for coal owing to industrial stoppages. Another accomplishment was the implementation of the reform of retail prices, which is a basic step forward in the direction of restoring normality on the domestic market. However, /the economic policy of the last few months has primarily been--despite certain attempts at active intervention--a

defensive policy/ intended primarily to cushion the consequences of the decline in consumption and halt further regression of the economy by means of emergency organizational measures.

/Let us consider the principal problem areas:/

/The efforts to postpone the repayment of [foreign] loans/ did, to be sure, result in a partial refinancing of the obligations for 1981, but the burden of debt servicing, which has long since exceeded the ability of the Polish economy, remains an acute problem. Even in the event that successive postponements of the payment of principal and interest are negotiated on terms close to those of last year's, this would mean a burden of about $4-4.5 billion on the national economy and shifting the "wall of indebtedness" still further forward, into the second half of the 1980s. It is extremely doubtful, considering the stranglehold of indebtedness being tightened around the Polish economy, whether that economy will be able to start normal servicing of the indebtedness (augmented by additional interest, along with high payment requirements), even after the period of the postponement of payments elapses.

/The considerable decline in exports to the capitalist countries/ in 1980 and 1981 in the context of the existing situation has resulted in a curtailments of the volume of supply imports from these states for Polish industry --a decline of about 50 percent compared with 1979. Despite aid from the USSR and other socialist countries, industrial output during the first quarter of this year declined 10.8 percent. A process of downward slide along the spiral of the interdependence of exports and supply imports has been put into motion and is now difficult to halt, since this would require a fundamental increase in supply imports--which is not to be expected considering the current payments situation and the West's policy of economic restrictions. It is rather to be expected that there will be further restrictions on supply imports, along with a continuation of the disproportions and an imbalance between productive capacities and stages of processing, hobbling the increase in industrial output and exports.

To be sure, /attempts to break out of the vicious circle of the import-export interdependence by curtaining investment outlays/ have led to a radical reduction in the number of investment projects being implemented, but no solution as yet has been found for the problem of the considerable productive capacities of the sectors generating capital goods (with many of them, being unamenable to a sufficiently rapid "deceleration," still producing substantial output in 1981).

/The reform of retail prices provided the opportunities for a partial filling of the inflationary gap, but did not, because it could not, activate mechanisms for an increase in production./ Hence also the higher personal income of the population--owing to compensation payments [offsetting the price increases]--will contribute to the characteristic features of inflationary processes (hoarding, low personal savings). As the market supply gradually improves, the growing stream of manufactured consumer goods sold at new prices will gradually absorb the surplus purchasing power, while at

the same time exerting greater pressure on increases in wages and compensation payments. This threatens to bring about growth of the inflationary spiral, with all the consequences ensuing therefrom to the market situation and the function of incentive pay. That latter function has already been markedly weakened recently owing to the steady expansion of the rationing system and the dangerous blowup of the proportions between the remuneration of labor and the payments of compensation owing to the increase in living costs. The effect of the increase in retail prices is being diluted by the growing scope of the paternalist functions of the state (early old-age pensioning, social employment, etc.) which stand in a growing disproportion to the country's general economic situation. There exists a grave danger that such a policy of alleviating the consequences of the regulation of the economic system will maintain inflationary pressures and, as a corollary of the entire chain of consequences of these pressures, nullify the positive effects of the regulation.

/It must thus be stated that the economic policies so far have contributed only minimally to the elimination of the basic disproportions from which the Polish crisis had originated./ The depth of the deformations with which we are dealing suggest, on the other hand, that a genuine and permanent surmounting of the crisis is not possible unless deep structural changes based on the recognition of absolute economic necessities are undertaken. The statement can even be hazarded that/ such a restructuring must be implemented even at the cost of a temporary slowing of the growth rate and postponement of other tasks./

It is also worth noting that in some cases actions serving to meet the most essential needs of the current period may postpone or even obstruct processes of a long-range nature. In the present situation, the priority of current needs must be recognized as inevitable. But there is inherent rise in attempts to extend intervention at the central level--in the form of operational programs--to an increasingly broader range of needs with a longer implementation period. This threatens the perpetuation of a new and increasingly more institutionalized system of goals and the attendant menace --in the event of an excessively prolonged use of this instrument--of the drift of the entire economic system under the pressure of current needs, newly arising special-interest groups, and bargaining mechanisms for the acquisition of funds.

To avoid this, it should be assumed that, /following the 1982-1983 interim period, economic actions at the central level should be focused on implementing a 3-year plan whose heart is to be precisely a strategy for transforming the economic structure./ This means both a change in goals and a fundamental change in methods of action.

/The particularly acute nature of the conflict between current needs and the requirements of the future necessitates, given the present sociopolitical conditions, dividing the program for restructuring the economy into three stages:/

--emergency measures, comprising the 1982 period;

--medium-range measures, comprising the years 1983-1985;

--long-range measures.

These periods will differ both in the scope of the structural measures undertaken and the nature of the instruments applied centrally to implement them. In our discussion of the aims of the structural maneuver and the instruments for directing the structural changes, in the second part of this article, we shall refer to the above division into stages.

[30 May 82, p 9]

> [Text] The restructuring of the economy is intended to pursue two basic goals:
>
> --enhancing the country's economic self-sufficiency and
>
> --improvements in effectiveness.
>
> The implementation of the first goal should be structurally reflected chiefly in an export-oriented readjustment of the economy and the attainment of Poland's self-sufficiency in the field of food. The implementation of the second goal should be reflected in the meshing of productive capacities through, among other things, a broader utilization of domestic raw materials and those imported from the socialist countries and developing countries, as well as in structural changes resulting in a decrease in the material-intensiveness and energy-intensiveness of production.

We will now describe the nature and course of restructuring processes intended to accomplish the above goals: an increase in exports, the assurance of self-sufficiency in food, the meshing of capacities, and the reduction of the material-intensiveness and inergy-intensiveness of production.*

Development of Exports

We assume that in the present situation the development of exports is the principal link in the chain of economic dependences, because it affects the country's payments ability and hence also the level of imports and the settlement of debt obligations. These last two factors will, in their turn, decide the level of production and hence also of exports.

Increasing supply imports represents a kind of "flywheel" for the entire

*The present article incorporates the findings of a team of experts from the Planning Commission under the Council of Ministers regarding the concept of a long-range transformation of the country's economic structure.

economic mechanism. For we proceed from the premise that /the fundamental flaw in our economy is not so much its considerable import-intensiveness as the lack of adequate export capabilities/.

Polish per capita imports are less than half as high as in the other socialist countries. In 1980, Poland's imports amounted to $537 per capita compared with $1,038 in Bulgaria, $967 in Czechoslovakia, and $1,171 in the GDR.

Making an export-oriented readjustment of the economy one of the basic goals of economic restructuring is of deeper significance than a mere securing of funds to finance the needed imports ensuing from the balance-sheet conditions of the economy. Namely, this concerns /fashioning exports into an instrument for making the economic structure more flexible/--in the sense of the possibility of a rapid adaptation of supply to demand by means of imports--as well as into a factor stimulating production and improving its quality and up-to-dateness.

The export-oriented readjustment of the economy would be accomplished by:

--/concentration of sizable funds on selected fields/ interpreted more narrowly than the traditional "exports specialization," namely in particular plants and products. These would act as "locomotives" pulling improvements in the quality and technological level of production at coproducing plants. The relatively limited investment funds that will be available at the central level in the near future would be chiefly allotted to precisely these sectors of production. In the selection of specializations, priority should be given to promoting the fields which already have proved their worth in exports. The task of each branch should be to specify the groups of products that should be included in export specialization and outline the paths of their development, as well as to concentrate and intensify the work of R&D facilities on precisely these sectors;

--/intensive use of economic instruments to stimulate the exporting motivation/ of enterprises; such instruments include foreign-exchange allowances, tax relief, loan terms, rate-of-exchange policies, etc. Considerable hopes as regards stimulating a proexport orientation of enterprises are associated with foreign-exchange allowances for enterprises engaging in exports. These allowances will play a fundamental role in activating the aforementioned "locomotive effect," serving as a source of foreign-exchange income to enterprises coproducing for producers specializing in exports.

This, however, raises a number of questions:

--/The problem of stimulating exports to the CEMA countries/ remains unsolved, since these exports lose competitive ability compared with exports to free-foreign-exchange countries which provide a source of the enterprises' own income in convertible currencies;

--The method of crediting foreign-exchange allowances is controversial: an allowance that is averaged for all enterprises does not allow for the specific features of discrete fields of production and conditions of

implementation of imports, but on the other hand, the crediting of differentiated allowances to individual enterprises involves considerable red tape in the manipulation of this instrument;

--There exist justified fears that the system of foreign-exchange allowances for exports would seriously curtail or even completely obstruct access to foreign exchange for small enterprises providing important products for the system of producer and market supplies.

To some extent these questions would be resolved by introducing--initially on a limited scale--cash sales of foreign currencies at a rate that would balance demand with supply; in the event that these currencies are used for export purposes, the difference between the market quotations and official rate of exchange of the foreign currencies would be refundable.

The development of effective export instruments in this field for the present period and future years is not only a basic requirement for transforming the production microstructure but also an effective means of opposing inflationary pressures.

It is difficult to forecast the volume of exports during the period until 1990 in view of the many unknowns, but it appears to be a minimum task that exports on the scale of $1,000-1,100 per capita should be attained by the year 1990, that is, the current per capita level in such countries as the GDR (in 1980, $1,068 in the GDR, $963 in Czechoslovakia, or $1,125 in Bulgaria) should be attained by then. To our country this, however, would mean doubling our 1980 export level.

Food Self-Sufficiency

The implementation of the idea of food self-sufficiency for this country means, during the first stage, the attainment of a stable equilibrium of foreign trade in agricultural and food products. During the second stage, this would mean eliminating all dependence on imports.

But while this second goal is regarded as a long-range one, a stable equilibrium of the foreign-trade balance of agricultural and food items should be achieved fairly rapidly. This ensues from the country's difficult payments situation as well as from the possibility of procuring grain and fodder on foreign markets.

To accomplish these goals, /decisive action is needed in two spheres/:

--the structural policy toward agriculture itself and the general policy of the state toward that sector;

--the structural policy in industry, oriented toward meeting the demand for industrial means of production for agriculture and food management.

The policy of structural changes in agriculture must be oriented toward restoring the proper proportions between the development of crop and

livestock production. This requires a marked acceleration of the growth of crop production, especially of grain for meeting consumption and fodder needs, and the adaptation of the scale and structure of livestock production to the domestic fodder resources.

The main effort should, however, be focused on improving the effectiveness of the management of the entire potential committed to processes of the production and processing of food. This is /a task for the state's agricultural policy/, which should, in our opinion, pursue the following aims:

--providing every sector of agriculture with equal development conditions;

--assuring the viability of private farming and treating it as a permanent element of the socialist economy (as already reflected in extensive legislation), while at the same time providing convenient terms for turnover of land, increase in the concentration of production, and improvement in the structure of cultivation on private farms;

--improvements in the forms of contractual procurements of farm products, as a form of planned influencing of the development of agriculture, especially of private agriculture;

--assuring the complete profitability of agricultural production and maintaining parity between incomes of agricultural and onagricultural population.

Effective influencing by the state of the development of agricultural production and adaptation of its structure to the needs of the national economy will require a full exploitation of economic instruments, particularly as regards price, loan and tax policies. In our opinion, the production-fiscal function of land tax should be restored. Raising the land-tax rates according to the level of farm income would, on the one hand, stimulate a better utilization of land and other means of agricultural production and, on the other, serve to regulate incomes and equalize the differences for farmers tending lands with poorer soils. The level of state-fixed /procurement prices/ should be linked to the cost of agricultural production and the retail prices of food, this being a fundamental prerequisite for maintaining the equilibrium of the food market.

Another basis requirement for achieving the country's food self-sufficiency is structural changes in the macroeconomic system to increase industrial production for agriculture. These changes include primarily:

--increasing the supply of mineral fertilizers, crop protectants, chemical feed additives, and fodder-silaging facilities;

--increasing the supply of tractors, machinery and equipment assuring a comprehensive mechanization of discrete production processes, and increasing the output of spare parts and tires;

--expanding the operating capacities of the contractor enterprises engaging in land reclamation;

--expanding and modernizing the processing, storage and warehousing capacities of the entire agricultural and food complex.

The increase in the supply of means of production should be accompanied by their improved adaptation to the needs of individual sectors of agriculture. It is also necessary to expand production services, perform changes in the distribution of resources and in organizational forms, and utilize technical means of production in agriculture.

The implementation of these tasks should result in curtailing the most greatly needed imports, namely, the imports of grain, to about 1 million tons during the years 1985-1990, which is needed owing to technical considerations. In this way, the degree of grain self-sufficiency of our country would increase from about 72 percent in 1980 to 95-96 percent during the years 1985-1990.

Harmonization of the Economy

This goal, in the sphere of restructuring, can be reduced to the solution of two fundamental problems:

--the filling of structural gaps due to the absence of meshing among different stages of processing;

--reducing the dependence on imports from the developed capitalist countries.

The measures to be taken in these directions should be chiefly focused on the elements of the production chain whose growth may produce multiple effects for the entire economy. In view of the limited investment possibilities, the filling of structural gaps and the substitution of imports must be achieved primarily through modernization and adaptation, as well as through the activization of small-scale industry. The aim also should be to complete the construction projects initiated in previous years--in accordance with the adopted directions of the restructuring of industry, and especially to utilize the machinery and equipment that have been accumulated for these projects. This will entail resorting to resolute and often drastic measures in the management of manpower resources and fixed assets.

The effects that can thus be achieved are by their very nature limited; hence it should be realized that in the long run the implementation of the intended structural changes does not appear feasible unless the share of investments in national income is increased. But the purposes on which the increased fund of central investment monies are to be spent must be closely meshed with the assumptions of the restructuring program and serve the fields regarded as being of special importance to the state's economic policy, e.g. the development of private housing construction. Effective central-level influencing of the restructuring processes taking place through the mediation of the investments made by enterprises is of fundamental importance.

The differences in the scale of maneuver during the next few years and at the end of the 1980s determine the nature of the tasks in both periods. In view of the extremely limited short- and medium-range investment possibilities of

the economy, the harmonization of productive capacities will occur chiefly within the industrial subsectors through the adaptation of the level of product types and assortment to the level of the available supply as well as by means of streamlining measures imposed centrally and ensuing from the economic reform. The meshing of productive capacities within the intersubsector system, which is chiefly to be accomplished during the second half of the 1980s, will be chiefly aimed at equalizing the structural disproportions that have existed for the last few years.

The situation in industry is a consequence of the development priorities adopted in the 1970s. The rapid development of the electrical-machinery, extracting, and metallurgical industries has not been accompanied by a correspondingly rapid development of branches of the heavy chemical industry, while the development of the electrical-machinery industry, light chemical industry, and light industry has been largely based on imports of semifinished products. To equalize these disproportions in the 1980s it will be necessary to realign the allocation of resources so as to develop the processing industry while at the same time reducing its dependence on imports. Other changes in structure should be carried out depending on the effects of measures to promote exports and to increase the output of products needed by agriculture and food management.

Essentially the harmonization or meshing of productive capacities means following the principle of the complementariness of development. This may occur even at the expense of a temporary suspension of the expansion of the productive capacities of heavy-industry branches, especially until the qualitative and structural problems associated with the full utilization of the already existing potential are solved.

It is imperative to reduce within the next few years the dependence on imports from the capitalist countries. This is an objective necessity and not some calculated strategy for withdrawal from participation in the international division of labor. Afterward, in the long run, an increase in imports seems feasible, provided that a definite improvement is achieved in expanding exports--this last being regarded by us as one of the fundamental strategic objectives of the 1980s. This will not be possible, however, given the acute curtailment of imports, unless we explore ways of replacing the swindling flow of import deliveries with other supply sources. This should be accomplished chiefly by:

--/implementing the concept of food self-sufficiency/ by converting industry to produce for agriculture and pursuing an effective agricultural policy while at the same time gradually eliminating imports of grain and feeds;

--an active program for putting into operation substitute production to supplant the hitherto imported materials, components and assemblies, while at the same time meeting the requirements of economic rationality; a decisive orientation of R&D facilities toward work on technological and organizational innovations; an effective utilization of domestic raw materials; and the activation of imports-replacing domestic production;

--/reorientation/, insofar as possible, of the acquisitions of supplies and capital goods /toward the socialist countries and the developing countries/, basing trade with the latter on barter terms.

In the present period, it is particularly necessary to develop such forms of cooperation as processing services with regard to entrusted raw and other materials which would make it possible to exploit the unutilized--owing to the halting of supply imports from the capitalist countries--production capacities of the Polish processing industry, and especially of the light and chemical industries (utilized about 60-65 percent during 1981), as well as participation by partners in completing the temporarily suspended investment projects. At the same time it is necessary to continue the development of industrial specialization and coproduction, especially in the electrical-machinery industry (automotive industry, shipbuilding, etc.). Loan, price and tax preferences as well as other forms of stimulating the process of supplanting the materials and components hitherto imported from the capitalist countries with their counterparts produced by the CEMA countries should be provided.

Reducing Material- and Energy-Intensiveness

The structural measures in this direction should be aimed at:

--intersubsector changes in the form of reducing the share of the subsectors with highly material-intensive technological processes (metallurgical, metal, machine-building industries, means of transportation, and others) in the structure of industry;

--intrasubsector and intrabranch changes through giving preference to production facilities characterized by low unit consumption of raw and other materials and energy.

Investment activities must follow the principle of priority for investments that produce savings in the consumption of raw materials--priority over investments that result in an increase in their extraction.

The principal ways of restructuring the economy so as to reduce material- and energy-intensiveness are:

--withdrawal from operation of facilities and entire plants consuming excessive amounts of materials and energy, and the supplanting of material- and energy-intensive technologies with their more economical counterparts, especially those based on domestic solutions and equipment, e.g., gradual abandonment of large-slab technology in construction and the expansion of the scope of plastic working of metals in lieu of their machining [metal cutting], etc.;

--expanded use of regenerative technologies which produce considerable savings of materials--especially the regeneration of spare parts of machinery and vehicles, the reprocessing of worn oils and lubricants, multiple reuse of packagings, etc.;

--expanded use of production and postconsumption wastes, oriented both toward increasing the recovery and utilization of the wastes already being utilized (scrap, waste paper) and toward the recovery of previously unutilized wastes (e.g., granite rubble, rare metals present in the wastes of nonferrous ore, etc.);

--reduction of the share of gasoline in the consumption of fuels for transport purposes by increasing the share of motor oil; transfer of shipments from automotive to rail transport; development of greater use of electric locomotive and reduced use of diesel locomotives; withdrawal of the least utilized merchant-fleet ships which result in a negative foreign-exchange balance, and sales of the most wornout ships abroad;

--restructuring of the automotive industry with the object of gradually converting it to the production of vehicles meeting the needs of the national economy, especially as regards economical fuel consumption;

--development of the production of insulating materials for construction, etc.

These measures should result in a marked reduction in the currently highly energy- and material-intensiveness of industrial production and national income, considering that it is estimated that at present energy consumption per unit of national income in Poland is greater by a factor of 2-3 than in such countries as France of the FRG. A similar situation exists a regards the consumption of steel, cement and other materials.

***

The implementation of the above measures should cause the Polish economy in the years 1985 and 1990 to display the following estimated indicators:

Forecast of Structural Changes in the Polish Economy During the 1981-1990 Period

Subject	1981	1985	1990
Structure of national income, in %:			
Industry	57.2	58.0	59-59.5
Agriculture	9.3	9.4-9.5	8.5-9.0
Structure of industrial output, in %:			
Extractive industry	6.9	6.7	5.6
Processing industry	93.1	93.3	94.4
Structure of agricultural production, in %:			
Crop production	57.6	58.8-59.0	61-63
Animal production	42.4	31-21.2	37-39
Material-intensiveness of national income, indicator of consumption in tons per million zlotyz of national income:			
Coal	36.8	34.0	25-27
Steel	3.5	3.2	2.5-2.8

Instruments for Control

We assume that the meshing of the measures applied with the aims of the economic policy is predicated on incorporating all the instruments for guiding the economic processes in the central annual plans and subsequently in a 3-year socioeconomic plan. This poses extremely high requirements to the center, which shoulders the burden of assuring the adequacy of control instruments to the aims of economic policy and the internal coordination of the system of parameters applied.

The choice of control instruments for directing the structural changes as well as the specific requirements for them will change with the development of the country's economic situation. Generally speaking, two periods may be distinguished here: the interim period for the years 1982-1983 and the ultimate period that would, if conditions warrant, commence in 1984.

--/The 1982-1983 period./ During this period the role of economic instruments must of necessity be limited, for the basic prerequisite for their effective utilization will not yet have been met--meaning the operation of an economic mechanism substructed on the principles of the economic reform. The operation of that mechanism will during this period be limited by the absence of a market equilibrium and the attendant necessity for far-reaching intervention of the state into the sphere of functioning of the enterprises. That is, during this period, instruments of a direct nature will chiefly be used. They will include, in addition to the fundamental decisions as regards the proportions for the division of national income, foreign trade, strategic investments, etc., the following essential instruments:

--/decisions made in operational program / regarding the assurance of the basic conditions of subsistence of the population and the functioning of the state;

--/orders and prohibitions of a more or less general nature such as the prohibition against the manufacturing of products/ having an energy-intensiveness that exceeds a certain standard; orders to discontinue the types of production that are of secondary importance to the economy, etc., as well as direct supervision of the flow of raw and other materials to preferred branches of industry, and of the flow of products and directions of sales (e.g., exports or spare parts).
To some extent the application of the above instruments will also be needed after the mechanism of the economic reform is fully operative, since they often represent in this system the sole means of protecting the consumer or forcing technological progress in monopoly field

The system of administrative measures will during this period be accompanied by an increase in the scope of utilization of instruments of the economic mechanism, and chiefly of incentives of a positive nature. The branch ministries, in particular, are expected to influence the related decisions of enterprises by means of:

--/tax relief/ for measures consonant with the concept of restructuring the economy, such as: the supplanting of imported raw materials with their

domestic counterparts; the substitution of scarce raw materials; the manufacturing of new products on the basis of the existing raw materials base; and the provision of specific services or other measures unrelated to the traditional product type and assortment;

--/bank-loan preferences/ for enterprises which adopt modernization and adaptation measures consonant with the restructuring principles;

--/application of a degressive income tax scale/ once a specified level of output is exceeded by the extractive enterprises;

--/profit-tax exemptions/ for reduction in unit consumption of scarce raw materials (imported and domestic) of fuels and electric energy;

--/the introduction of the clearing of accounts for exports to the socialist countries/ on the basis of domestic prices (an export bonus of, e.g., 5 percent) upon the application of compensatory accounting in foreign-trade enterprises.

The above-mentioned instruments for direct influencing and elements of the economic mechanism could be utilized within the above scope during the first stage of structural transformations of the economy. But the chief burden of restructuring processes coincides with the period in which the economic mechanism will already have been operative.

--/The period after 1984./ It is to be assumed that, beginning with that year, the utilization of economic parameters in directing the processes of economic restructuring will become fundamentally important. Thus, the preceding years should be a period of the final formulation and consolidation of the economic-financial system and the elaboration of a system of economic parameters to be applied during the years 1984-1985. To assure continuity of planning in enterprises, it is also necessary to prepare a forecast of these parameters during the 1986-1990 five-year plan period.

If this will be an internally coherent system, it can be expected that the decisions to be made under its influence by the organizational units [enterprises] will constitute a process close to the intentions of the program for economic restructuring. In practice, the attainment of complete consonance in this respect is hardly likely even if there is an extremely high efficiency of the transmission of the center's intention to the sphere of decisions by the enterprises. In this connection, an essential role must be played by the system of continuous monitoring of real processes, serving to activate correcting instruments depending on the real situation that arises. These instruments will derive from the same arsenal that is to be chiefly used for directing the structural processes during the years 1982-1983. After 1984, their function will reduce to that of intervention and the principal factor in shaping the restructuring changes will be the economic-financial mechanism. At the same time, the employment of orders, prohibitions, and preferences of an administrative nature will be deeply curtailed: during that period their role will be reduced primarily to counteracting instances in which an enterprise may exploit its monopoly position.

[6 Jun 82, p 9]

> [Text] The paramount objective of the structural changes in the economy whose concept and instruments for implementation were presented in the previous parts of this article is a decisive break with the process of the decline in the development capabilities of the economy, to be followed by the reconstruction and consolidation of these capabilities. Clearly, this objective cannot be accomplished solely by means of the structural changes in the sense described above. It can be accomplished, in our opinion, by means of an aggressive and internally coherent complex whole of simultaneous radical measures in the sphere of the structure as well as in the sphere of the functioning of the economy--measures oriented toward an absolute implementation of the needs ensuing from cost effectiveness.

The nature of these measures should be reflected in the priority of qualitative changes consisting in the ordering and scheduling of the economy and streamlining of the utilization of its resources--that is, in giving them priority over objectives of a quantitative nature. This requires, on the one hand, far-reaching changes in the commitment of resources and, on the other, strengthening the motivational power of economic mechanisms and, if the need arises, verifying the various solutions contained in the economic reform.

We believe that, when so interpreted, the purpose of the strategy of structural changes has a realistic chance only if bold and consistent steps are taken in the economic policy for the next few years, and particularly in four of its areas: the payments situation, the structure of production and distribution, employment and social policies.

The Payments Situation

Poland's indebtedness to the countries belonging in the so-called second payments area [capitalist countries] at the end of 1981 was $24.3 billion (long- and medium-term credits). The burden of this debt on the Polish economy is characterized by the following three features:

--the so-called "requirement," i.e., the size of payments of the payments of principal and interest due in a given year amounts to about $11 billion for this year, and 90 percent of payments obligations are due within the next 3 years;

--the ratio of payments due in 1982 to the annual foreign-exchange revenues from exports of goods and services will be about 180 percent;

--given the present level of imports and the general state of the economy, the ability of the economy to improve the balance of trade turnover with countries of the free foreign-exchange area is limited.

The size and features of the foreign indebtedness necessitate exploring new solutions as regards terms of payment. The concepts so far in this field amount to solving this problem by means of the simultaneous refinancing and restructuring of the indebtedness. Even under favorable circumstances, that is, when obtaining through negotiations the same terms as in 1981, /these concepts will not result in the solution of the balance of payments with the capitalist countries in the next few years/.

Given the present level of supply and coproduction imports, the economy's ability to increase exports markedly is extremely limited. The present level of imports is accompanied by a marked decrease in both the exporting ability of the economy and the exportability of production. This is confirmed by preliminary estimates of the anticipated turnover with the capitalist countries in 1982. As for the possibilities for increasing supply imports, given the burden of debt repayments and recently also the West's economic restrictions, they are extremely low.

Postponing part of the debt repayment until the second half of the 1980s will result in the perpetuation of the problem of the balance of payments in its present form until at least the end of the decade. For it is difficult to expect that in the second half of the 1980s exporting ability would be sufficiently high to offset the increased installment payments of the debt, given the continuing greatly restricted possibilities for increasing supply imports.

The concepts advanced so far presuppose, moreover, the retention of a definite uncertainty factor in the sphere of the balance of payments depending on the attitude of the creditors. The maintenance of an extremely narrow field for maneuver in restoring economic growth does not provide the possibilities for a rapid increase in exports. Such a scenario of payments results in practice in a further tightening of the stranglehold of indebtedness.

Resolving the payments situation and emerging from the "trap of indebtedness" require effectuating /a change in the terms of debt servicing, such as would assure/:

--fixing the payments at a level corresponding to the capability of the Polish economy in the 1980s, i.e., providing for the possibility of its restarting and for an increase in exports;

--total debt moratorium (eventually with some exceptions) for several years in order to provide the Polish economy with a chance for ordering and regrouping its resources and activating the mechanisms of the new economic-financial system.

In the general context of political and financial conditions, as well as from the standpoint of the interests of the creditors themselves, such a solution appears realistic.

Production and Distribution

The implementation of structural changes on the proposed scale requires, in our opinion, a much more active approach to the problems of production and distribution in the economy.

/First, a fundamental issue is a deliberate reduction of the import pressure/ in industry through changes in the structure of imports, consisting in a marked reduction of the imports of grain and feeds and consequently also in a deliberate reduction in food consumption to the level ensuing from the criterion of the foreign-exchange self-sufficiency of the food economy.

/Second, it appears necessary to exert strong economic and social pressures in order to improve the performance/ of the work force and enterprises through a consistent implementation of the principle of making income dependent on performance regardless of the starting conditions of the enterprises. It is necessary to create an economic obligation of labor while at the same time limiting employment in enterprises to an economically justified level and breaking with the practice of social employment [i.e., overemployment].

/Third, it is necessary to strengthen and give preference to the economically strong enterprises//having the potential for the development of profitable production and exports, while at the same time depriving of the chance for survival the weak enterprises which produce below a specific level of effectiveness of the utilization of production factors.

/Fourth, finally, it is necessary to provide the material conditions for the development of private housing construction/ and promote the tendencies of the public to channel its own funds and labor into that sphere. There should be a definite increase in the share of private construction of single- or multiple-family housing meeting a lower standard and based on the utilization of local raw materials and manpower. The program for the development of private housing construction has a chance for becoming an essential factor in the program for surmounting the crisis.

The acceptance of these assumptions would necessitate:

--the introduction of a genuine labor market as well as of economic pressures stimulating concern for one's job;

--linkage of remuneration to actual contribution and results of work;

--modifications of wage structure to differentiate real income as a function of performance (departure from the tendency toward egalitarianism of wages);

--counteracting the attempts to introduce different forms of distribution of industrial goods, such as products of the light industry, of the electrical machinery industry, etc.; the aim should be to apply equilibrium prices on the broadest scale possible;

--fixing real--based on actual cost--housing rents, which should provide an economic incentive for private housing construction.

Employment

The structural changes in the economy will inevitably result in substantial shifts of manpower resources. There arises, on the one hand, the problem of an effective adaptation of the level, forms and structure of employment in production organizations to economic rationality and, on the other, the problem of providing the conditions for the utilization of the manpower released as a result of these processes.

The recently taken measures to streamline employment are primarily based on leaving to the enterprises the freedom to select the structure, forms, and level of employment according to their production needs, as well as the freedom to determine their own wage fund according to their financial situation. As regards the utilization of surplus manpower, the chief instrument applied was earlier retirement of older workers as well as an increase in upbringing allowances which was to provide a material incentive for working mothers to withdraw from gainful employment. Also broadened were the scope and forms of the utilization of activity funds allotted for, among other things, financing the vocational training of jobless persons and persons changing their vocational careers, payment of equalization allowances, organization of emergency work programs, etc.

These measures appear to be insufficient from the standpoint of the scale of the problem. Some of them, such as lowering the age of retiremnnt, produce marked negative side effects in the subsectors in which there is an employment shortage, while at the same time withdrawing the most experienced workers from vocational and professional activity. To strengthen the effectiveness with which the labor market is directed, in our opinion, a broader application of economic instruments is indispensable.

This concerns, above all, the control exercised by the financial and banking apparatus over the granting of loans, subsidies and tax relief, which need not be granted to enterprises operating at a loss, as well as over the monitoring of the correctness of cost-effective accounting in order to eliminate instances of increases in product prices to offset the costs of overemployment. In addition, wages should be made more attractive in enterprises at which growth in output is obstructed by a continuing shortage of manpower.

As regards the "absorption" of the thus relieved surplus manpower, it appears indispensable, above all, /to identify the needs for skilled personnel during the coming decade and, on this, basis to readjust the orientations of vocational training/. At the same time, it also appears indispensable to increase the outlays on the expansion of the material facilities for the development of the handicrafts industry, trade and services, as well as to radically revise the system of legal regulations impeding the development of private enterprise (some of which, characteristically, derive from as far back as the era of fedualism). Finally, an active approach is needed toward the problem of the /employment of Polish citizens abroad in the form of trips by organized teams of experts/; the expansion of the scope of export of construction services; employment in neighboring countries in so-called

border traffic; and, to a specified extent, individual trips abroad for purposes of gainful employment.

The above directions of action should contribute to restoring the structural equilibrium of employment. But they will not totally eliminate the employment surpluses in industry and construction. Hence, it would be necessary to decide /to adopt more radical solutions as well, in the form of the creation of the so-called passive employment/. This would mean setting up contingency groups formed through signing labor contracts with the least skilled workers and those with low labor discipline or who work in "surplus" trades and do not avail themselves of the possibilities for retraining. Such persons could be utilized in growth enterprises that are expanding their profitable production, in private housing construction, and in specific projects such as land reclamation work, municipal sanitation, maintenance and repair of railroad tracks, etc.

Social Policies

The traditional model of social policies, consisting of meeting existing needs, has been encountering major implementation problems. These ensue from the general incapability of the economic organism--the decline in national income and in the consumption fund. /The social policies and scope of the guardian functions of the state cannot continue to exist in an explicit conflict with the results achieved in material production and the country's economic possibilities./

The adaptation of the model of social policies to the existing economic base means the necessity of curtailing the guardian functions of the state, with the exception of the most pressing social needs. It is necessary to reanalyze this model from the standpoint of the concentration of the state's efforts on selected fields. This means in particular:

--consideration of the problem of the social minimum [guaranteed subsistence level] under the present critical conditions from the standpoint of relating it more realistically to the reduced level of real personal income;

--the consideration of the scope and forms of certain nonreimbursable social services from the standpoint of their partial "commercialization." Here a major factor is the problem of the low quality of these services in relation to social expectations, and the lack of opportunities for effective improvement of this situation through increasing the outlays from the state budget. While partial protection of certain segments of society should be retained, the "economization" of certain social services in return for a major improvement in their quality could meet with public approval.

The changes in the social policies should also be oriented toward curtailing the direct distributive functions of the state as regards the distribution of income from labor, and strengthening the indirect functions (e.g., income tax, indirect taxes) as well as preserving the principle of protection for individuals and families whose survival is the most threatened.

Summing up briefly the theses presented above, we can state that our purpose was to demonstrate /the necessity of settling the problem of foreign indebtedness on terms providing a chance for restarting the economic mechanism/, increasing the exporting capability, and commencing the process of debt reduction. We further stated that the activation of this process requires an increase in supply imports at the expense of grain and feed imports, along with the concomittant far-reaching "economization" and rationalization in the sphere of production and distribution. In practice, this would mean a significant decline in the food-consumption level during the initial period (2-3 years) along with a tangible increase in exports and in the market supply of manufactured consumer goods owing to the fruitful effects of the increased supply imports, as well as owing to the reallocation of means of production and manpower resources and the absolute implementation of the requirements of cost-effectiveness analysis.

The proposed version may be reproached for ignoring the current socioeconomic realities in this country. /Yet essentially it stems from the recognition of drastic economic realities as the crucial factor in the long-range development of the situation, and it is intended to counter them with measures commensurate with the depth of the consequences of the crisis./ For we must conclude that any further maintenance of the state's protective "umbrella" over the level of the consumption of goods and services in the traditional structure will result in--as indicated by simulation-model calculations--a systematic decline in per capita national income or, in the best case, the reconstruction of the level of income prevailing in the late 1979s, toward the end of the current decade. The social consequences of such a development would probably, even within a few years, necessitate suspending the repayment of the foreign debt and transition to a path close to that proposed in the program presented there. This would mean further delays in overcoming the crisis and attaining the stage of economic growth.

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CURRENT SITUATION IN MATERIALS INDUSTRY ASSESSED

Effect of Enterprises' Reform

Warsaw GOSPODARKA MATERIALOWA in Polish No 5-6, Mar 82 pp 81-90

[Article by Czeslaw Skowronek: "Opererating Principles for Enterprises in 1982 and Their Impact on Materials Management"]

[Text] From the beginning of 1982 the state enterprises started to operate under new principles. A process of inculcating the economic reform began. Its basic solutions were included in the "Directions of the Economic Reform" accepted by the Ninth Party Congress and adopted by the Polish Sejm. This document was the basis for the initiation of the process of preparations for the next legislative developments. Thus, on 25 September 1981, after lengthy preparations the Sejm passed two laws of fundamental significance to the whole shape of the reform, that is, the law on state enterprises (DZIENNIK USTAW No 24, Item 122) and the law on the state enterprise's worker self-government (DZIENNIK USTAW No 24, Item 123).

In December the government sent the Sejm a package of eight draft laws to regulate the basic principles of the national economy's operation. Before the laws were passed*, the economy could not operate in a "systems void."** Therefore the principles of the economy's operation needed to be established back at the beginning of 1982. To this end, on 30 November the Council of Ministers passed Resolution No 243 on the principles of operation of the state enterprises in 1982 (MONITOR POLSKI No 32, Item 287). This resolution regulates in a comprehensive way the mechanism of the national economy's operation. The basic solutions in the resolution come from the draft laws referred to the Sejm. Hence, we can say that the principles set down

*These laws were passed by the Sejm at sessions on 26-27 February of this year.

**The provisions of Council of Ministers Resolution No 118 of 1980 on the principles of operation of the economy expired as of 31 December 1981.

in the resolution begin the process of inculcating the economic reform. The decisions in the resolution take into account the particular conditions in which the economy finds itself, especially the deep economic imbalance in many fundamental segments of the economy's operation, that is, in material supply, in foreign trade, and on the domestic market. In this state of affairs, some systems decisions implemented by the resolution are a departure from the ultimate solutions and are transitional in nature. As the national economy achieves equilibrium, they will be eliminated. Certain solutions for the interim period related in particular to distribution and state control of means of production and consumption were provided for back in the middle of 1981 in the basic reform document, "The Directions of the Economic Reform."

The introduction of martial law into the country and the economy last December did not stop the work related to the economic reform. The basic decisions of the Council of Ministers resolution on the principles of operation of the enterprises in 1982 are still timely. Certain changes were introduced by Council of Ministers Resolution No 278, dated 30 December 1981, on the operation of the economy under martial law (MONITOR POLSKI, No 1, Item 1).

Our future deliberations will be based on the decisions in the two abovementioned Council of Ministers resolutions.

We are presenting the basic solutions of the mechanism of the economy's operating, making an assessment of the extent of their impact on the materials management of the enterprises, particularly in two major segments of it:

1) the operation of supply functions,

2) effective materials management in the enterprise.

Economic Planning

In a fundamental way the provisions of the resolution change the course of the planning of economic activity at both the central and enterprise levels. There is no direct relationship or arithmetic consistency between the central plan and the plans of the enterprises. Here it is only a question of directional consistency, which should be shaped by economic instruments. The central plan does not directly set tasks for the enterprises or indicate the means for accomplishing them.

The enterprises independently plan their own economic activity and are directed by the following circumstances:

1) knowledge of the possibility of selling their own production and services for export and the domestic market; it is also a matter of contracts, customer orders, and also a realistic forecast of demand,

2) knowledge of the possibilities of obtaining supplies of raw and other materials, fuel, and power, and of the assurance of essential facilitations through contracts with suppliers, as well as obtaining necessary allocations of items included in official distribution plans,

3) operating production potential and the possibility of expanding it,

4) the set of instruments, norms, and standards (especially financial ones) contained in the solutions of the economic system of the enterprises,

5) the collection of information from the Central Annual Plan.

In 1982 the basic element determining the dimensions of the enterprises' production activity is the availability of raw and other materials, fuel, and power.

The sizes of the supply of these factors of production will have an impact in most cases on the size of the production program of the enterprises in the processing subsectors of industry, construction, and other sectors of the national economy.

The restricted supply capabilities also have an impact on concrete decisions in the planning sphere at the central level. It is anticipated that an annual plan and quarterly plans will be drafted.

The realization of priority socioeconomic goals will be assured by what are called operating programs. The enterprises carrying out these programs will receive priority in supplies of materials and in obtaining import funds. Fourteen operating programs have been listed altogether. Here are examples of what they include:

Deliveries and management of fertilizers and pesticides,

Supplying agriculture and the food industry with machinery, equipment, fehicles, spare parts, tires, and batteries,

Production of fuel and power,

Production and supply of protective and workmen's clothing,

Exports to countries of first payments area [socialist countries] and second payments area [capitalist countries],

Production and supply of meat and fats,

Management and processing of milk,

Production for the country's defense preparedness.

Special plenipotentiaries of the various ministers have been entrusted with coordinating the execution of these programs.

The provisions of the resolution envisage that the coproduction contracts previously entered into will be maintained. They can be dissolved only with the consent of both parties or as the result of the handing down of a decision by the arbitration commission.

The new planning mechanism can be summed up concisely as follows:

1) the central plan will not directly set the tasks for the enterprises or the means of carrying them out,

2) the enterprises' plans are autonomous, completely independent programs of their operation,

3) the central plan lists particularly important priority goals which are included in what are called operational programs.

From the viewpoint of the materials economy, the planning principles in effect in 1982 will have the following consequences:

1) priority in the supply of raw and other materials, fuel, and power will be given to those enterprises which are producing the goods and services included in the operational programs,

2) the sizes of the enterprises' economic activity will depend on materials-power factors of production, and therefore the enterprise's own understanding of the supply possibilities must be the basis for constructing its plan,

3) the prohibition against unilateral breaking of coproduction contracts is aimed largely at maintaining conditions for completing production.

Decisions in the sphere of economic planning have an impact on future solutions for the mechanism of the functioning of the economy. This particularly applies to the supply system, which we will develop somewhat, owing to the subject's importance to the economic reform as a whole.

Principles of Material-Technical Supply

During the transition period of the economic reform, the mechanism of the functioning of material supply will be of particular significance. This significance stems from the extreme imbalance in this segment of the national economy. For this reason special solutions must be applied which differ from the ultimate shape of the reform. These solutions were pro-

posed by Group VII of the Economic Reform Commission and with some modifications were included in the provisions of the Council of Ministers' Resolution dated 30 February 1981.

Especially the following points are of particular significance:

1) increase in the role of contracts in supply proceses,

2) new way of balancing materials,

3) altered sphere and manner of distribution,

4) new role and function of the supply turnover organizations.

Even in 1982 a fundamental proportion of technical-material supply should be based on sales contracts (for deliveries) freely entered into by suppliers and customers. It is estimated that about three-quarters of all supply will be accomplished this way. As suppliers the enterprises will be entirely free in their selection of channels and forms of sales (direct, intermediary, to enterprises trading in the means of production).

Next, the enterprises which appear on the market as customers will have the full right to choose their sources of supply: the producer, wholesalers, retail. Except for restrictions implied by distribution and turnover monopolies, which we will discuss later, there will be no administrative restrictions operating here, but it must be clearly emphasized that here there are many problems arising out of the grave developmental imbalance, import restrictions, and the like. There will probably be difficulties in buying items not covered by the distribution system. As the result of the difficulties in covering their needs, many enterprises will have to limit the size of their production, but it should be anticipated that the enterprises' material interest in increasing production will occur, particularly where there are no materials barriers.

Economic pressure should liberate initiative and the enterprises' interest in increasing production and saving materials, which should turn into an additional supply of production and services.

Despite these difficulties, the basic direction of the reform -- this is the horizontal production-supply relationships and contracts as instruments for guiding production, supply, and the sales of independent economic units, the enterprises -- should be accomplished to a great extent even in 1982.

The basic instrument for providing equilibrium in supply should be materials balance-sheets. The principles envisage 88 central materials balance-sheets to be drawn up at the central level in 1982, with 73 of these being drafted by the Council of Ministers Planning Commission and 15 by the Office of Materials Management.

The central materials balance-sheets include the basic raw and other materials, fuels, and also secondary raw materials. The balance-sheets are an instrument of internal coordination of the central plan and principle of material supply policy. If a given item on the balance-sheet is not part of the distribution system, then the balance-sheet is solely informational, and no distribution decisions come out of it. This clear definition of the role and functions of balance-sheets and distribution is important throughout the mechanism of the economy's functioning in the future. As an instrument for insuring balance, the balance-sheets are a fixed component of the mechanism of the functioning of the economy.

As a method of making resources available, the distribution system, on the other hand, should be temporary in nature and stem only from the lack of balance on the means of production market.

The further process of inculcating the economic reform should lead to the inculcation and development of the modern methods of balancing materials. The balance-sheets should become a real instrument to even out the economy. On the other hand, the distribution system should be a disappearing method for allocating material resources.

The serious imbalance on the means of production market is making necessary the temporary continuation of the distribution of the means of production, but the way it works under the reform is completely altered and remote from the previous vertical ministry-branch management systems.

In 1982 the distribution system includes 16 groups of items of fundamental significance to the functioning of the national economy. These are: hard coal, coke, liquid fuels, products of ferrous metallurgy, products made out of noble metals, electric cables, batteries, plastics, rubber, tires, cement, softwood lumber, chipboard, paper and cardboard, and raw hides. It must also be added that limits have been placed on the consumption of electric power as well as natural gas and coking gas.

At the central level the Council Of Ministers handles distribution on the basis of the proposals presented by the Chairman of the Planning Commission and the Minister of Materials Management. This distribution encompasses only the basic directions of domestic consumption and export. On the other hand the detailed distribution is handled by designated supply turnover organizations, such as the Coal Sales Center for coal, the Metallurgy Supply Center for coke, CENTROSTAL for products of ferrous and steel metallurgy, and the Cement Sales Office for cement.

The individual supply turnover organizations may use various methods of distribution, that is:

1) registered allocations for all customers,

2) registered allocations for the largest customers, while using the principle of free sales for the rest,

3) limited sales for certain groups of customers, while using the principle of free sales for the rest.

Thus the customer-enterprises receive allocations from the supply turnover units, not, as in the past, from superior units. In receiving materials allocations, priority will be given to those enterprises that are carrying out production of priority goods and services included in the operational programs.

A proportion of the enterprises will not be able to obtain an adequate supply of materials to fit their production capacities. There will probably be a need temporarily to limit or suspend production. These are extremely difficult but necessary decisions, when we take into account the severe imbalance on the means of production market and the drastic import restrictions.

Within the whole structure of the supply system, the supply turnover organizations have a special role to play. There will be several characteristic changes from their previous operation.

The supply turnover organizations are becoming a major link in the distribution of items included in the distribution system. They will determine the precise directions of distribution, being directed by priority goals included in the operational programs and also the sales guidelines formulated by the central bodies. The organizations engaged in the distribution of items will receive the right to exclusive turnover of these items. This means that the enterprises producing distributed items will not be able to dispose freely of the production entrusted to them. The directions and forms of its sales will be determined by the supply turnover organizations. This exclusive right does not apply to items which do not meet the established quality and utility requirements or improper reserves subject to a different sort of management.

The enterprises which handle the sales of items covered by exclusive right of turnover without a corresponding decision by the turnover unit are subject to grave financial sanctions. They are obliged to turn over to the budget a sum corresponding to 50 percent of the value of the items sold. Alongside items included in the distribution system, exclusivity (monopoly) in turnovers has been also applied with regard to several other areas, that is: electrodes and zinc-lead binding agents, protective clothing and personnel protection equipment, fire-fighting equipment and extinguishing agents, cotton and wool, asbestos, chemical reagents, phosphorites, and apatites. Altogether exclusive turnover rights are held by 20 supply turnover organizations.

The use of the above-mentioned solution is aimed at expanding the extent of control using the supply processes during the transitional stage of the economic reform. Undoubtedly this will limit the enterprises' independence both in terms of sales and in terms of supply. It will create

in a sort of official way a turnover monopoly, thereby facilitating the operation of the turnover enterprises. We should watch carefully the correct functioning of this point of the reform. As supply and demand come into balance in the various groups of items, we should withdraw the right of exclusivity, because it is in essence contrary to the ultimate structure of the reformed supply system.

Another new element in the operation of the turnover organizations is the creation, in the material turnover units conducting the system of materials distribution, of special oversight groups. These groups include representatives of the Planning Commission, Office of Materials Management, Minister of National Defense, and other interested ministries and central offices. It is the task of these groups to exercise general oversight over the distribution of materials and to review appeals concerning allocations.

We have presented in the most concise way the basic principles of the operation of the technical-material supply system. The following consequences stem from them for the production enterprises:

1. A fundamental share of technical-material supply, even during the initial phase of the inculcation of the economic reform, will function on the principle of horizontal production-supply relationships established by way of contracts. Therefore the enterprises must independently concern themselves with insuring adequate supply as well as with selling their own production.

2. In many enterprises the supply possibilities will determine the sizes and structure of production. I think that during the initial stage of the reform, there will not be any great problems with selling their production.

3. The manner and principles of distribution will change drastically. The production enterprises will enter into cooperation in these affairs with appropriate turnover organization. This also concerns those enterprises in which certain functions in the supply sphere have been entrusted to associations of enterprises.

4. For 21 supply turnover organizations the introduction of exclusive right of turnover for specific groups of items will lead for certain enterprises to restrictions in the realm of selling their production and will also narrow the field of choice of sources of supply.

Principles of Import

Because of the very difficult situation in the country in the realm of the balance of payments (large debts reaching nearly the value of 4 years' exports) and trade (continued great drop in exports and a level of imports which exceeds the level of exports), during the initial phase of the inculcation of the economic reform, there will be great import restrictions. Import restrictions are still worse under martial law, because certain

capitalist countries are imposing specific export-import restrictions, which is making it more difficulty for enterprises to gain access to imports.

In general we can indicate that there will be two basic sources of foreign exchange funds:

1) foreign exchange allowances from revenue gained from export,

2) allocations of funds by central bodies for precisely specified purposes.

Foreign-exchange allowances represent a source of import financing for the purpose of carrying out export production. They will be obtained by those enterprises which export goods to countries of the second payments area [capitalist countries]. The level of the rate of foreign-exchange allowances is set as a ratio of the value of deliveries for export production from coproduction and supply imports to the exports accomplished in convertible currency. This ratio is based on the actual data for 1980 or, in the event of significant changes in this ratio, taking into account the assumptions of imports and exports in 1982.

The maximum value of the allowance rate cannot exceed 50 percent of export income. The particular way of setting the allowance rate is set by the Minister of Foreign Trade in cooperation with the Minister of Finance. It should be emphasized that part of the foreign-exchange funds gained as a result of the allowances may be passed on by the enterprise to its coproduction partners. This should enhance their interest in undertaking coproduction for the purposes of export.

At the central level, the Chairman of the Planning Commission has created an interministry team to guide imports. This group will allocate cash foreign-exchange funds for the following purposes:

1) carrying out operational programs, for the appropriate ministers, who oversee the execution of these programs,

2) importation of raw and other materials on the central balance-sheets, for the Minister of Foreign Trade (it is with regard to items on the centrally produced balance-sheets drawn up by the Planning Commission and the Office of Materials Management),

3) imports for needs of the domestic market, for the Minister of Domestic Trade and Services,

4) needs of the nonproduction sphere, for directors of appropriate offices and institutions,

5) imports for central investments, for the appropriate investors,

6) imports designated to create state reserves.

On the other hand, it should be stated that funds for imports will be very limited, and to this extent the needs will not be met.

A concrete production enterprise may obtain these funds from various sources, that is, from other enterprises, from a central allocation, which will depend on its concrete situation.

Producer Prices

The principles for creating and using the prices which will be in effect in 1982, unlike other segments of the functioning of the national economy, to a great extent have an ultimate nature which will be defined in the price law. These principles are of fundamental significance in the sphere of materials management, because they create the conditions for an economic choice in buying materials and will serve as an incentive to save materials. The force of this impact, however, will depend on a number of factors and circumstances, which we shall try to point out.

In the realm of the means of production we can define three basic price categories: 1) official prices, 2) regulated prices, and 3) contract prices.

Official prices are set by the Council of Ministers or at its authorization by an appropriate body of the central administration. These prices cover three basic groups of items:

1) means of consumption and services of fundamental significance to the cost of living and the protection of the population's health,

2) means of production and services of fundamental significance to the enterprises' production costs,

3) basic farm products procured by units of the socialized economy: grain, slaughter cattle, slaughter hogs, chickens, milk, sugar beets, rape, tobacco; these products in most cases are a means of production in the manufacture of consumer goods.

Official prices apply to the following means of production:

1. Hard coal, brown coal, and coke
2. Crude oil and fuel oil
3. Piped and bottled gas
4. Electric power
5. Ores and scrap metal
6. Ferrous and steel products
7. Nonferrous metal products
8. Timber and sawn lumber
9. Cement
10. Cellulose
11. Cotton and wool
12. Chemical fibers
13. Raw hides
14. Rubber
15. Apatites and phosphorites
16. Sulfur and sulfuric acid
17. Chemical fertilizers, fertilizer lime
18. Grain, commercial fodder, and fodder additives
19. Domestic shipments of goods by rail, truck, or water transport

The prices of the means of production of fundamental significance to enterprises' manufacturing costs are set at the level of prices paid or obtaining in foreign trade with free foreign-exchange countries. If there are differences between the price set and the average price in free foreign exchange turnovers and these differences exceed 10 percent, then the official price should change correspondingly. If there is no possibility of setting prices at the level of foreign trade prices, then the official price is set at the level of mean production costs, with attention given to the profit surcharge necessary for the enterprise's self-financing.

Regulated prices are set by the enterprise in its own area on the basis of the costs of production and selling goods and services plus the profit surcharge. The profit surcharge is established as a percentage of the amount representing 8 percent of the value of the direct fund financing fixed assets, material and legal values, and working capital as of 1 January 1982 up to a total of the processing costs the previous year.

The minimum surcharge for profit amounts to 10 percent of processing costs. Processing costs are calculated according to the following principles: the total prime cost is reduced by the direct materials costs along with purchase costs, the costs of outside processing, and also the guarantee costs and losses for defects.

We can present as follows a simplified example of the calculation of the profit surcharge:

1. Statutory fund financing fixed assets and nonmaterial and legal costs	-100 million zlotys
2. Statutory fund in working capital	- 20 million zlotys
3. Total	120 million zlotys
4. Total prime cost	150 million zlotys
Breakdown:	
Direct material consumption costs	-85 million zlotys
Purchase costs	- 5 million zlotys
Outside processing costs	- 3 million zlotys
Defect and guarantee costs	-10 million zlotys
Total	103 million zlotys
5. Processing costs	47 million zlotys

Thence the percentage index of the profit surcharge amounts to

$$\frac{0.08 \times 120}{47} = \frac{9.6}{47} = 20.4 \text{ percent}$$

Thus in our example the average profit surcharge on processing costs amounts to 20.4 percent, or is higher than the lower projected limit by 10 percent. This is the way it should be in the concrete example in calculating the prices of goods.

Regulated prices are set on the following groups of products and services:

1) commodities and services whose production or rendering is subsidized by the state,

2) materials, if their delivery is based on distribution schedules or is included under the obligatory intermediary system and there are no official prices established for them,

3) imported means of production, if their import takes place within the framework of allocated foreign-exchange funds and they have no official prices established for them,

4) basic means of production for agriculture: farm equipment and machinery, tractors, and pesticides,

5) foodstuffs of a standard nature specified in Appendix 4 to Resolution No 243.

Contract prices encompass goods and services not covered by official or regulated prices. They are set by contract between suppliers and customers.

We have presented the most general principles for the creation and application of prices. There are certain general comments which come up against this background, and certain consequences also follow therefrom concerning the way the enterprise proceeds and concerning the influence on the sphere of materials management.

The fact that the prices of basic raw and other materials are based on foreign trade prices is of great significance to the whole shape of the economy. It creates conditions for realizing the foreign trade profitability prices. It makes rational cost effectiveness possible. By carrying over the prices of basic raw and other materials to the production costs of the final products, the general level of costs is made realistic and the circumstances are created for assessing the real profitability of foreign trade.

The principles established for constructing regulated prices will give the priority to those enterprises which have production assets of high value at their disposal, regardless of the extent to which they are utilized. There can also be further consequences in the realm concretely of the ratios of processing costs, the level of production assets. This would require separate treatment.

On the one hand, contract prices should incline the enterprise to undertake additional profitable production, and on the other side, the deep imbalance in many segments of the means of production market can create an excessive inclination to increased prices.

All these issues will need to be carefully followed, and appropriate regulatory action will have to be undertaken.

Two basic problems are related to the establishment and application of prices in the sphere of materials management:

1) the incentive nature of prices in the sphere of management effectiveness,

2) practical action of supply services under the conditions of applying the new price-setting principles.

A basic question arises as to whether the new principles of setting prices are creating sufficient conditions for increasing the effectiveness of materials management, and especially for reducing the materials-intensiveness of production. I think an answer to this question would be premature. We do know many of the elements of the enterprises' behavior under the conditions of the reform. Undoubtedly there are many solutions which should be inducements to improving management effectiveners, but it is not certain whether they are fully operative. This depends on the effectiveness of all the basic solutions of the economic reform. The state of equilibrium on the means of production market will also exert substantial influence here.

The new price-setting principles are creating new phenomena never before encountered in the work of the supply services. These services must become fully cognizant of the principles for calculating prices, in order to be fully prepared to carry on the proper price negotiations, know the proper levels, properly calculate the components, and so on.

Each transaction in the realm of contract prices can be different in terms of the level of prices paid. This requires new decisions concerning the listing of materials, the use of fixed contract list prices, and the clearing of discrepancies.

General indices for clearing discrepancies will probably not work, because they can distort costs. The prices will have a direct influence on costs. Therefore the following and monitoring of their levels and the taking of measures to reduce them are new tasks for the supply services.

Related to prices is the system of profit margins in trade. It is anticipated that for commodities bound by official and regulated prices, margins set according to the same principles will be used. In the other cases, contract commission fees and margins will be used. The principles for setting margins will also make it possible to select sources of supply. The supply services must calculate which sort of purchase is the most profitable: the producer, wholesale, or retail trade.

Thus the new principles for setting and applying prices are creating new phenomena in the activity of the enterprises. The skillful use of the

positive elements of the changes can lead to increased management effectiveness of the enterprise. The lack of knowledge of opportunities for improving the economics by having an impact on prices may cause the enterprise to suffer adverse financial results.

The Incentive System

A particularly important component of the new mechanism of the economy's operation is the incentive system, or, to put it another way, the principles of financing remuneration. The principles introduced in Resolution No 243 drastically differ from those systems solutions which were previously in effect. The size of the funds for wages and remuneration is not directly related to any standard of measure of the enterprise's activity.

There are three basic sources of increasing remuneration:

1) increase in remuneration that is a component of prime production costs,

2) increase in remuneration from profit distribution,

3) price increase adjustments set centrally by state bodies.

In addition, as in the past, the annual bonus fund, called the thirteenth paycheck, is calculated into costs.

We shall discuss the sources of remuneration increases and at the same time show the possibilities for using them as an incentive to increased effectiveness in materials management.

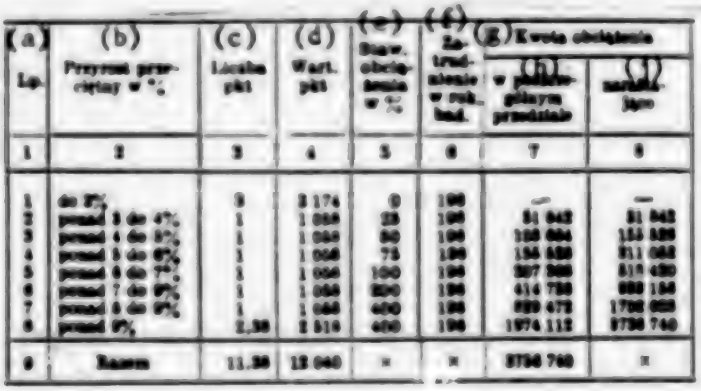
The enterprise independently sets the size of the funds for remuneration in keeping with financial possibilities and the needs of its activity. Remuneration encompasses all sorts of cash expenditures and the value of services in kind [fringe benefits] (or their cash equivalent), which the enterprise pays directly for the benefit of physical parties for the work they perform. Expenditures of this type are charged directly as costs of the enterprise's operation.

The enterprise independently distributes funds for remuneration among its various components, being guided by the wage-skill pay scale tables in effect. It also sets independently the principles for awarding bonuses, setting aside a specific share of the wage funds for bonuses.

Obviously the enterprise cannot arbitrarily or unrestrictedly increase the cash funds designated for remuneration. The limitations which occur are entirely economic and not administrative in nature. They are shaped on the basis of certain parameters. The mechanism of regulating funds for remuneration, generally speaking, is based on the liabilities of increase in mean pay in relation to the previous year per employee. These liabilities are paid out of the profit for distribution minus the deduction for the reserve fund according to the following scale:

Item No	Percentage Increase in Mean Remuneration	Rate of Liabilities in Percentage of Amount of Increase in Mean Remuneration
1	up to 3 percent	0
2	over 3 percent up to 4 percent	25
3	over 4 percent up to 5 percent	50
4	over 5 percent up to 6 percent	75
5	over 6 percent up to 7 percent	100
6	over 7 percent up to 8 percent	200
7	over 8 percent	400

Table 1. Encumbrance for Various Sections and Total Encumbrance Calculated as the Product of the Encumbrance of Increase in Mean Remuneration and Mean Employment



(a) Lp.	(b)	(c)	(d) Wart. pkt	(e)	(f)	(g) Kwota obciążenia	
						(h) w poszczególnym przedziale	(j) narastająco
1	2	3	4	5	6	7	8
1	do 3%	0	3 174	0	100	—	—
2	ponad 3 do 4%	1	1 059	25	100	81 042	81 042
3	ponad 4 do 5%	1	1 059	50	100	158 604	154 889
4	ponad 5 do 6%	1	1 058	75	100	154 889	311 068
5	ponad 6 do 7%	1	1 056	100	100	307 308	619 430
6	ponad 7 do 8%	1	1 056	200	100	414 758	888 188
7	ponad 8 do 9%	1	1 048	400	100	889 473	1798 988
8	ponad 9%	2,38	1 514	400	100	1974 115	8798 760
9	Razem	11,38	13 040	x	x	8798 760	x

[Key]:

(a) Item number
(b) Average percentage growth
(c) Number of points
(d) Value of points
(e) Rate of encumbrance in percent
(f) Employment in year examined
(g) Amount of encumbrance
(h) In the particular interval
(j) Compounded

(1) up to 3 percent
(2) over 3 percent up to 4 percent
(3) over 4 percent up to 5 percent
(4) over 5 percent up to 6 percent
(5) over 6 percent up to 7 percent
(6) over 7 percent up to 8 percent
(7) over 8 percent up to 9 percent
(8) over 9 percent
(9) total

The amount of the liabilities is calculated using a compound method, separately for each interval of increase in remuneration. The mechanism of liability of increase in mean remuneration contains no elements which would prove an incentive for rationalizing employment. The increase in employment, especially in the lower remuneration groups, will have a favor- impact on the level of increase in average remuneration. In this connection provision has been made for a liabilities correction mechanism, by taking into account the changes in the level of employment. Now, the percentage of increase in average remuneration is reduced by the percentage decline in employment compared to a similar period the previous year, but not by more than 5 percent.

The whole mechanism for calculating the liability is presented below, in the following simplified example:

1. Employment:	a) in the base year	200 persons
	b) in the year examined	196 persons
	c) level, percent of employment in year examined in relation to previous year	98 percent
2. Remuneration:	a) in base year	18 million zlotys
	b) in the year examined	20 million zlotys
	c) index (percent)	111.1 percent
3. Mean annual remuneration per employee:		
	a) in base year	90,000 zlotys
	b) in the year examined	102,040 zlotys
	c) index in percent	113.38 percent

Taking these data into account, that is, the decline of 2 percent in employment and the 13.38-percent increase in mean remuneration, we adopt for the calculation an increase of 11.38 percent in mean remuneration, or 1 percent of the increase in mean remuneration corresponds to the sum:

12,040 zlotys: 11.38 percent = 1,058 zlotys.

The calculations made in our example show that a large 13.38 percent increase in mean remuneration, even with a 2-percent decline in employment creates a very great increase in liabilities as a result of the progression, particularly where the rise in remuneration exceeds 8 percent.

Following are comparisons. Accepting the assumptions in our example, the amount of liabilities is 3,736,700 zlotys, while the increase in remuneration amounts to 2 million zlotys. Such a great increase in mean remuneration is unprofitable for the enterprise in any case. The liabilities sum paid out of profits is 1.7 times greater than the amount of the increase in remuneration. The enterprise should choose that interval in which the increase in mean remuneration is profitable for it. An increase of up to 9 percent in mean remuneration creates liabilities which do not exceed the increase in the amount of remuneration.

For the various intervals of liabilities we can establish their ratio to the amount of increase in remuneration. In our example, these sizes will be as follows:

Interval of Increase in Mean Remuneration	Amount of Liabilities Increasing	Percent for Increase in Total Remuneration (2 million zlotys)
up to 3 percent	---	---
up to 4 percent	51,824	2.6
up to 5 percent	155,526	7.8
up to 6 percent	311,052	15.6
up to 7 percent	518,420	25.9
up to 8 percent	933,156	46.7
up to 9 percent	1,762,628	88.1
up to 10 percent	2,592,100	129.6
up to 11 percent	3,421,572	171.1
up to 11.38 percent	3,736,740	186.8

The data show that the increase in mean remuneration up to 7 percent does not create a great rise in liabilities, but any further increase, especially above 8 percent, drastically increases the liabilities. In individual enterprises the ratios may be somewhat different, but the basic ratios correspond to the example presented.

Another source of increase in remuneration consists of bonuses out of the profit for distribution. A rise in this remuneration amounting to 7 percent of the mean remuneration obtained in 1981 is not taxed (liabilities for the vocational activation fund). Any further increase is taxed, and a great deal: the liability is 200 percent between 7 and 8 percent and 400 percent over 8 percent. This should combat excessive allocation of profits for bonuses.

Generally we can sum up the following remuneration increase ratios: an increase in remuneration of less than 10 percent is not taxed, and increase up to 14 percent are taxed to an inconsequential extent. It would seem that the ratios adopted should create an effective mechanism for increasing management effectiveness. We shall return again to this matter and sdiscuss the principles of the enterprises' financial management.

What then are the consequences of the principles of structuring remuneration in terms of the materials economy? We can point out the following aspects of this problem:

1. The enterprise is free to set aside part of its wage funds and part of its profits designated for bonuses to serve as an incentive for improved effectiveness in materials management, to gain savings of materials, for the rationalization of reserves, to reduce supply costs, and so on.

2. Increases in remuneration will come mainly out of improved effectiveness expressed in a growth of profits. Thus, there should be strong pressure to improve materials management.

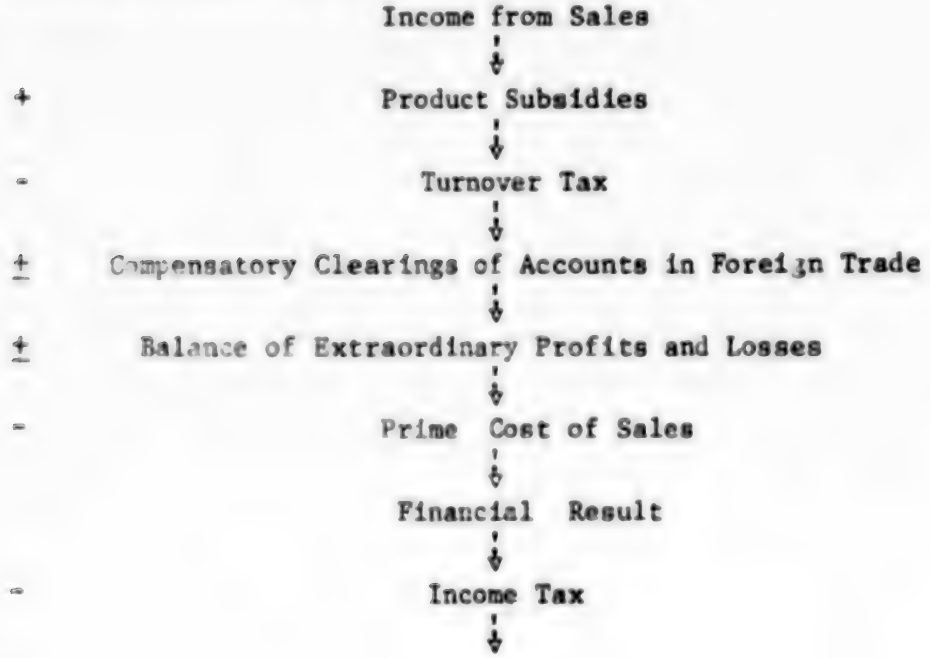
3. Incentives for increasing the effectiveness of materials management through certain motivational solutions should be plugged into the whole mechanism of the enterprise's internal economic accounting of cost effectiveness. This is an extremely important matter, if we want effectively to bring about an improvement in management efficiency and an increase in remuneration.

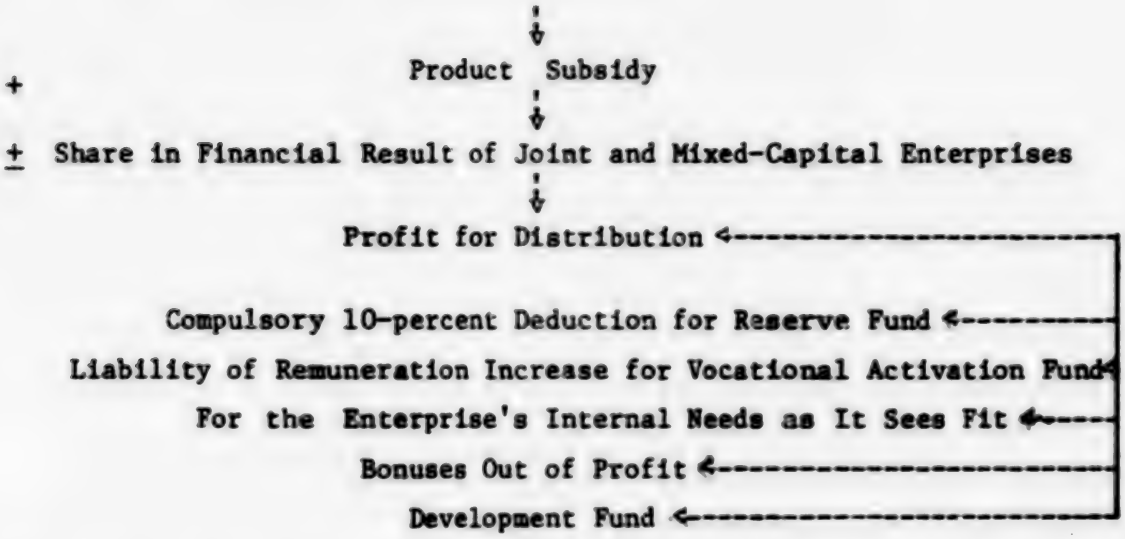
Elements of Financial Management

The principles of financial management are a parallel segment of the whole mechanism of the enterprises' economic functioning. In this connection we shall discuss only certain elements which are most closely related to materials management. The basic component of financial management is the structuring of income and profit and its distribution, along with the utilization of corresponding funds created as the result of the distribution of profit.

The financial result in the form of profit has been recognized as the basic standard by which to assess the enterprise's activity. The financial result is the difference between income from sales along with the appropriate product [goods and services] subsidies and the prime costs of these sales, less the turnover tax corrected in terms of the compensatory clearing of accounts from foreign trade and the balance of extraordinary profits and losses.

To clarify the picture we can take the creation and distribution of the financial result in the following scheme:





The impact of materials management exists in many elements of the creation and distribution of the financial result. On the principle of feedback, in turn, many of these elements can be used as incentives for an increase in the effectiveness of materials management.

We shall discuss a few selected elements:

1) the structuring of income from sales,

2) the structuring of the level of prime costs,

3) the distribution of profit and utilization of incentive funds.

Materials management has a multilateral impact on the size of income from sales. Income from sales includes sales on the domestic and foreign market of goods, work, and services of commodities and materials. The value of sales in turn depends on the amount of goods sold and the prices obtained. In the initial phase of the inculcation of the economic reform, the amount of goods sold will be determined by access to material supply. The savings of material will make it possible not only to reduce costs but also to create material reserves to increase the amount of production and sales. Therefore the actions in favor of effectiveness have at least a dual positive effect.

Another component of income is the income from the sales of materials. Here we can point out three basic directions of the sales of materials:

1) sales of production wastes which cannot be processed within the enterprise's own area,

2) sales of materials coming from excessive stocks,

3) sales of other materials, for example, within the framework of what is called neighborly assistance.

The sale of wastes can be a significant source of income, if the enterprise properly organizes their collection and also their secondary processing. It is generally a matter of getting the highest possible prices and not the greatest amount of waste. Here too there are many elements of economic selection, such as whether it pays to process the wastes (if they have already occurred) or whether they should be sold, under what conditions processing is profitable, and so on.

The sales of excess stock generally does not produce beneficial financial effects. Therefore it is a question of minimizing the possible adverse financial effects of the management of these reserves.

Finally the remaining sales of materials should not bring about adverse financial results. The enterprise should get those prices and costs which were connected to the purchase of the materials.

The next component which shapes the financial result is the balance of extraordinary profits and losses. Many of them are directly related to materials management. In most cases, however, these are extraordinary losses and not profits. Among the most important items of these losses are the following:

Losses from warehouse shortages,

Contract fines for late deliveries or defective quality which can be traced to materials management,

Losses from the depreciation and scrapping of actual stocks: materials, unfinished production, finished products,

Penalty interest on bank credit resulting from faulty management of stocks,

Fines for holding up outside vehicles and other.

All these sorts of losses should be minimized. Extraordinary profits, in turn, for example, from contract penalties, can be maximized, that is, contract fines should be collected from suppliers for failure to carry out supply contracts, to return packaging, and so on.

The basic plane for materials management's impact on the financial result consists of material costs taken to be:

Materials consumption costs,

Costs of maintaining reserves,

Costs of the supply and flow of materials in the enterprise.

We shall not expand on this great problem further. The basic direction of action here should be to minimize all the costs related to materials management, both material costs and nonmaterial ones. They should be closely aligned with the system of cost accounting and internal clearings

of accounts. Here we should emphasize the ratio of the costs of materials and profit. A change in prices, duties, or wages causes a change in the structure of prime costs, but the costs of materials will be a decisive share of prime costs. This means that their impact on profits will be significant. For example, we can give this account. If the level of profit is 10 percent of sales and material costs are 70 percent of the value of sales, then a 2-percent reduction in the costs of materials, which is possible in just about any enterprise, will increase profit by 14 percent. This is the scale and the ratios. They stem from the large share of direct production costs contributed by the costs of materials. People responsible for materials management should be fully aware of this fact.

In a concise manner we have discussed one feedback element, that of the management of materials → the financial result. We can generally say that this sphere of the enterprise's economics has a decisive impact on the structuring of the financial results. There is also another feedback element, that of the financial result → materials management. This relationship lies in the distribution of the financial result and the utilization of incentive funds created out of profits.

Generally, as we presented in the diagram, profit is divided into two parts:

1) that part contributed to the budget in the form of income tax and the vocational activation fund liability from the increase in remuneration,

2) that remaining in the enterprise.

We explained the liabilities mechanism before, but we will present the calculation of the income tax as the next point. Here let us start with using that part of the profit which remains in the enterprise. Now, 10 percent of the profit designated for distribution must be set aside for the reserve fund. This deduction can be increased by the enterprise independently. The rest is divided up into bonuses out of profit and the development fund. As we have already explained, the setting aside of up to 7 percent of the increase in mean remuneration and its allocation for bonuses is not taxed. Therefore, the enterprise should make the proper choice. One should anticipate the possibility of using this fund as an incentive for increasing the effectiveness of materials management. Here is where we see the second feedback element: the financial result → materials management.

The development fund will play an important incentive role in the operation of the enterprise. It is created out of profits and part of amortization allowances. The utilization of the development fund is as follows:

Repayment of investment credit incurred, first of all,

Financing of reserves,

Financing of investments,

Supplementary participation in the financing of technological progress.

After the repayment of the investment credit installments that are due, the enterprise should allocate the development fund for those purposes which are the most effective. Hence, here it might be the financing of stocks, of investments directed to saving materials, or of material-saving technical progress undertakings. These are all measures aimed at increasing the effectiveness of materials management. This is also the second feedback element: financial result → materials management.

Cost effectiveness should be fully used in distribution of the development fund.

The principles of financial management introduce far-reaching flexibility in financing working capital, including reserves. They can be fully financed out of the enterprise's own funds in circulation and also partly with bank credit. It should be imagined that the economic mechanism of allocating financial reserves on the basis of the criteria of effectiveness will come into full play.

We have tried to present the most important elements of the principles of financial management and their impact on materials management. The system of mutual relationships here is rather comprehensive. At this moment it is difficult to see now, at the beginning of the reform's inculcation, all the possible variants of the enterprises' behavior or the resulting effectiveness of the solutions introduced. Economic practice will show it, and we shall not know before then. We might anticipate that alongside certain general laws, there will be many separate, distinct cases in the various enterprises. This will require continual observation of the development of the phenomena and processes.

Taxation of Enterprises

It may seem that the taxation of enterprises does not have much in common with materials management. Actually, the previous tax system was not directly related to materials management. The new principles introduce new provisions into this realm of the operation of the enterprises too. It will be the natural tendency of the enterprise to strive to minimize the imposition of taxes. Certain possibilities in this regard are created by rational management of materials. We will point out certain possibilities in this regard, although the list is not exhaustive.

The enterprise will pay into the budget:

1) turnover tax,
2) payroll fund tax,
3) income tax,
4) real estate tax,
5) land tax.

The turnover tax is not directly connected to materials management, although the enterprise taxation law envisages exemption from taxes or some relief in the case of the production of goods which are made out of certain raw materials, especially local ones, and also those like gravel, rock, diatomaceous earth, demolished construction [rubble], slag, torf, bulrushes, chestnuts, acorns, pine cones, straw, and the like. I think that the list of these raw materials should be expended to include certain secondary raw materials, like broken glass, secondary mineral raw materials, rubber scrap, disposed plastic waste, and so on. This would incline the enterprise to use these raw materials.

The payroll fund tax has no direct relationship to materials management, although the number of materials management and supply services and their payroll funds have an impact on the sizes of the tax.

An important instrument in the whole economic impact on the economy of the enterprises is the income tax paid out of profit. The basic issue is the scale of the tax and the resulting extent to which the enterprise is motivated to increase its profit. The tax rates depend on the level of profitability, which is expressed as a percentage ratio of profits to processing costs. For the purpose of calculating the income tax, the costs of processing are calculated by subtracting the costs of materials and perishable items, power, and outside processing from the prime costs of sales of goods, work, and services. The income tax rate for the various intervals of profitability is as follows:

up to 5 percent	0
over 5 percent up to 10 percent	40 percent
over 10 percent up to 15 percent	50 percent
over 15 percent up to 20 percent	60 percent
over 20 percent up to 25 percent	70 percent
over 25 percent up to 30 percent	80 percent
over 30 percent	90 percent

The tax is calculated by a compounding method separately for each interval of profitability, in a manner that is similar to the one we presented for calculating the liability for an increase in remuneration for the vocational activation fund.

The level of the income tax depends on the level of profitability. In the intervals mentioned, we can calculate the share of profit devoted to tax.

Given the corresponding profitability rate, the share of profit devoted to tax will be as follows:

at 10 percent	20 percent of profit
at 15 percent	30 percent of profit
at 20 percent	37.5 percent of profit
at 25 percent	44 percent of profit
at 30 percent	50 percent of profit.

The attainment of the above profitability percentages changes the share of profit contributed to taxes in each profitability interval, which means that in each enterprise the share of the amount of profit accounted for by income tax will be different, according to the level of profitability.

On the basis of these data can we assess how keenly the income tax is felt? There is no such complete possibility. The progressive rate of the tax changes its share of profits according to the level of profitability. We should also point out the great differences in profitability among the enterprises, as well as the varying share of processing costs as a percentage of total costs. A large processing-costs share creates for the enterprise a more favorable opportunity in terms of the size of the income tax and conversely. Hence, in those enterprises where the material costs are a large share of prime costs, then the burdensomeness of the income tax liability will be greater, even given the same level of prime costs. I think that this can exert a certain pressure to reduce materials costs.

The basis for taxation (profit after verification) can be increased by unjustified losses and costs. The Council of Ministers is to specify the sorts of them in a separate manner.

The Minister of Finances may use income tax exemptions and facilitations for the allocation of profit to developmental purposes (development fund), cultural and educational purposes, and environmental protection and occupational health and safety. Hence, facilitations will be possible in carrying out investments which produce materials savings directed to the management of secondary raw materials or to the protection of the environment. It should be demanded that certain preferential conditions be applied to the application of tax facilitations for carrying out investments which increase the effectiveness of materials management.

Hence, the income tax may become a sensitive, effective instrument for bringing about an increase in the effectiveness of materials management. This also depends on the enterprises' initiative (tax facilitations) and proper use of this instrument of economic influence.

The other taxes have no close relationship to materials management, unless the enterprise can let go of part of the land used for its storage site, which will bring about a single-time relief in the land tax.

Equalizing the Starting Conditions

During the discussion on the targets of the reform, the enterprise representatives raised the issue of equalizing the starting point from which the inculcation of the reform was to begin. Hence, it was a question of leveling excessive differences in the share of ones own funds in financing reserves, exemption from the repayment of investment credit, particularly for interrupted or abandoned investments. These questions were resolved to a great extent. Appendix No 12 to Council of Ministers Resolu-

tion No 243, dated 30 November 1981 described the principles for the clearing of resources and funds at the end of 1981 and the beginning of 1982 and introduced a number of facilitations. Of course this does not signify entirely equal starts for all enterprises, because this is simply impossible.

From the viewpoint of our interests, there are two important solutions for equalizing the start of the reform. The first concerns the results of management of unnecessary stocks, while the other reassesses stocks from the viewpoint of the 1 January 1982 price increase and calculates their results.

The enterprises have been authorized to encumber, by 30 June 1982, the statutory fund, partly financing working capital, through the losses incurred during the first half of 1982 on account of managing stocks of unnecessary working capital regardless of the method by which they are managed, that is, either through consumption for the enterprise's wown needs, or through sales, or scrapping them. A very important task for the enterprise follows from this. It is a question of analyzing the stock in detailed fashion, turning up the unnecessary stock, and then using it carefully. Because of this the enterprises will avoid having to report the results, usually adverse ones, of managing unnecessary stock and including them as part of the financial results. This is a sort of amnesty for enterprises in the realm of managing reserve stock. Failure to take advantage of this opportunity will later have an adverse effect on the level of profit.

Another important question is the reassessment of stock on the basis of the 1 January 1982 price change. The stock reassessment is in turn related to the equalization of the share of the financing of stocks out of the statutory fund.

By 30 June 1982 the enterprises will draw up appropriate tables for reassessing stock and will make the following calculations. If, as the result of the increased value of the stock, the statutory fund's share, as of 31 December 1981, of the financing of current, seasonal, and reserve stock and of total financing using bank credit is below 30 percent of the value of the reassessed stock, then the enterprise will keep for itself that share of the reassessment results necessary to maintain 30 percent stock coverage out of its own funds. Any surplus though is paid into a centralized account. If in turn in the enterprise even the maintaining of the full effect of the reassessment does not provide for 30 percent of the value of the reassessed stock as a share of the statutory funds, then it may ask the bank to grant it a subsidy in the amount of the shortfall, taking this amount out of the centralized account. In the event such equalization out of the centralized account is not possible, the bank may grant special credit with 5 percent annual interest, which the enterprise must repay out of its development fund by the end of 1985.

The above principles show that the equalization of the share of the statutory fund in financing stock (regardless of their economic category) will occur on a level of 30 percent of the reassessed value of stock.

For some enterprises, this will be a decline in the previous share of their own funds, and for others it will be an increase. Some will have a negative reaction to this solution, and others will have a positive one. The actual situation will be revealed only by the concrete calculations of the reassessments and the calculation of the results. This will permit a fuller evaluation of the results of this solution.

These are the most important elements of equalizing the start in connection with materials management. Other compensatory elements, for example, in the realm of investment financing, have no direct connection to materials management and therefore will not be discussed here.

I have presented the basic principles of enterprise operation in 1982. They are fundamentally changing the previous economic mechanism of the entire economy. Therefore the reform has started. Its full implementation and the achievement of the ultimate shape would seem to be a rather lengthy process fraught with many difficulties, rooted in the great imbalance in the economy in many of its fundamental segments. It is probable not all the solutions applied will prove correct and entirely effective. They will require certain corrrections and changes. These should be with full consideration and on the basis of lasting practical experience. We cannot expect too much of the reform, especially during its initial phase. We should wait for the concrete results. We must all learn to use the instruments of it.

Generally, we can say that the basic mechanisms of the reform should evoke strong economic pressure to increase effectiveness, including in materials management, but we cannot assume ahead of time that all the tools and instruments which the reform will bring will be entirely effective. They will be tested by economic practice. Thus the need to monitor continuously the effectiveness of the solutions introduced, in the sphere of materials management too. I think that we shall return to these issues many times, and this will also be in the pages of GOSPODARKA MATERIALOWA.

Materials Balancing, Distribution

Warsaw GOSPODARKA MATERIALOWA in Polish No 5-6, Mar 82 pp 91-96

[Article by Mieczyslaw Jaskowski: "Balancing and Distribution"]

[Text] The balancing of fuels and raw and other materials is essential in every system of management, but the nature of material balance-sheets and the way they are drawn up basically depends on the system being used to manage the economy. In the previous system of management, material balance-sheets, regardless of the level at which they were drawn up, were turned into formal or informal distribution lists, partly because nearly every balance-sheet was drawn up addressed to and was accepted by the Council of Ministers, its Planning Commission, or the ministries involved, and even by the industrial associations.

The introduction of the new principles of enterprise operation in 1982 does not eliminate the drawing up of materials balance-sheets. The basic change in this realm is the introduction of the principle that materials balance-sheets are informational in nature, regardless of the level at which they are prepared, and not directive. If the central material balance-sheet pertains to a material which has been included among the distribution-list items (Appendix 2), then certain elements of this balance-sheet are compulsory, but only for the means-of-production turnover unit which has distribution authorization.

The question arises as to why only certain elements of the central materials balance-sheet are binding on the turnover unit, despite the fact that it applies to a distribution-list item.

The answer to this question stems from the enterprise operation system which has been adopted. If the enterprise sets its own production tasks and has no directive-type tasks in the production realm, then the projected influx of the distribution-list material on the central materials balance-sheet cannot be compulsory.

If the receipt of the material is not compulsory, then automatically the outflow side cannot be entirely compulsory either. Only certain elements of it can.

In keeping with Council of Ministers* Resolution No 243, the Council of Ministers Planning Commission and the Office of Materials Management were charged in 1982 to draw up 89 central materials balance-sheets. The list of these balance-sheets is represented in Appendix 1, which includes 99 detailed balance-sheet or joint balance-sheets fitting within the framework of the above-mentioned 88 central materials balance-sheets.

These balance-sheets have been prepared as a part of the Central Socioeconomic Plan**. The 46 balance-sheets for materials on the distribution list have been approved by the Council of Ministers, and the rest have been approved appropriately by the Council of Ministers Planning Commission or the Office of Materials Management. The materials balance-sheets compiled for 1982 are economic in nature and not addressed to anyone. This means that neither the influx nor the outflow is divided up yet by ministry. They have only the basic purposes, that is, export sales, domestic consumption for production needs, sales for the population, deliveries to small-scale industry, and so on. Furthermore, these balance-sheets include the projected consumption for the needs associated with carrying out the various operational programs. It should be mentioned that the materials needs in the balance-sheets for carrying out the various operational programs very

*Council of Ministers Resolution No 243 dated 30 November 1981 on the principles of operation of state enterprises in 1982. MONITOR POLSKI 32, Item 287.
**Council of Ministers Resolution No 258 dated 11 December 1981 on the Annual Socioeconomic Plan for 1982

Appendix 1. List of Annual Central Materials Balance-Sheets for 1982

(a) Lp.	(b) Wyszczególnienie	(c) Jedn. miary	(d) Zasobność na zaopatrzenie kraju		5:4
			1981	1982	
1	2	3	4	5	6
1	Węgiel kamienny i brykiety z węgla kamiennego	(e) tys. ton	149.520.0	151.500.0	101.3
2	Węgiel brunatny	tys. ton	35.200.0	36.700.0	104.3
3	Koks i półkoks	tys. ton	17.275.0	16.950.0	98.1
4	Gaz z koksowni i gazokoksowni	(f) mln m³	6.960.0	6.870.0	98.7
5	Gaz ziemny wysokometanowy	(g) mln m³	8.980.0	8.930.0	100.4
6	Gaz ziemny nasco-wany	(g) mln m³	3.690.0	3.650.0	98.9
7	Koks naftowy	(e) tys. ton	12.700.0	12.450.0	98.0
8	Paliwa i półprodukty paliw do silników z zapłonem iskrowym	tys. ton	8.207.0	8.510.0	79.5
9	Paliwa do silników z zapłonem samoczynnym	tys. ton	8.082.0	8.087.0	99.1
10	Olej opałowy	tys. ton	3.413.0	3.130.0	91.7
11	Energia elektryczna	(h) mln kWh	114.000.0	116.000.0	101.8
12	Rudy miedzi i odpady hutnicze (w przeliczeniu na Fe)	(e) tys. ton	9.172.0	8.395.0	93.7
13	Wyroby walcowane gotowe	tys. ton	10.087.0	9.081.0	90.1
14	Rury stalowe	(i) tys. km	279.9	278.1	99.7
15	Blachy stalowe walcowane na zimno	(e) tys. ton	1.584.0	1.451.0	84.6
16	Wyroby przetwórstwa hut.-drzewnego	tys. ton	992.5	960.9	96.4
17	Tlenek glinu	tys. ton	245.2	198.0	79.5
18	Miedź elektrolityczna	(j) tony	185.100.0	180.300.0	88.0
19	Cynk	tony	142.000.0	181.700.0	92.7
20	Ołów	tony	72.800.0	80.900.0	100.9
21	Cyna	tony	3.710.0	3.715.0	100.1
22	Nikiel	tony	11.691.0	11.965.0	102.3
23	Aluminium	tony	161.490.0	179.090.0	98.7
24	Srebro	tony	245.5	222.5	90.6
25	Wyroby z miedzi i stopów miedzi	tony	65.570.0	57.900.0	88.3
26	Wyroby z aluminium i stopów aluminiowych	tony	66.500.0	58.400.0	88.1
27	Kable elektroenergetyczne	(k) km	10.640.0	11.400.0	72.9
28	Akumulatory elektryczne kwasowe do pojazdów samochodowych	(l) tys. szt.	1 570.0	1 786.0	113.7
29	Siarka	(e) tys. ton	1.066.0	1.065.0	100.0
30	Surowce fosforowe	tys. ton	987.0	1.076.0	109.0
31	Soda bezwodna i dysza	tys. ton	566.0	570.0	100.5
32	Soda kaustyczna	tys. ton	319.0	330.0	103.4
33	Nawozy azotowe (licz. kalendarzowo)	tys. ton	1.314.0	1.375.0	104.6
34	Nawozy fosforowe (licz. kalendarzowo)	tys. ton	883.0	1.015.0	114.9
35	Nawozy potasowe (licz. kalendarzowo)	tys. ton	1.520.0	1.200.0	78.9
36	Polietylen	(j) tony	91.600.0	90.900.0	99.2
37	Polipropylen i kopolimery etyl.-propyl.	tony	49.500.0	52.500.0	106.1
38	Polichlorek winylu i kopol. winylowych	tony	120.400.0	135. 00 0	113.7
39	Polistyren i kopolim. styrenu	tony	38.100.0	39.. 00 0	100.5

[continued]

40	Kauczuk naturalny		tony	88.100,0	47.300,0	124,1
41	Kauczuk syntetyczny		tony	113.250,0	120.900,0	106,6
42	Włókna chemiczne		tony	256.300,0	254.500,0	100,5
43	Azbest		tony	62.250,0	71.565,0	115,0
44	Cement	(e)	tys. ton	18.736,0	18.283,0	110,8
45	Tarcica iglasta	(n)	tys. m³(m)	4.708,0	4.891,0	97,9
46	Płyty wiórowe		tys. km²	1.087,0	1.068,0	100,4
47	Kopalniaki i podwalia	(e)	tys. m³(m)	1.490,0	1.550,0	104,0
48	Celuloza papiernicza		tys. ton	848,3	698,3	110,1
49	Celuloza włóknowa		tys. ton	79,0	52,3	107,4
50	Papier		tys. ton	1.081,6	1.044,6	104,3
51	Tektura		tys. ton	283,7	240,7	108,3
52	Bawełna	(j)	tony	181.800,0	181.900,0	106,9
53	Przędza bawełniana i przędzopodobna		tony	196.800,0	197.540,0	100,5
54	Tkaniny, dzianiny i wyroby nietkane bawełniane i bawełnopodobne		tony	884,1	878,0	90,6
55	Wełna		tony	23.000,0	21.500,0	93,5
56	Przędza wełniana i wełnopodobna czesankowa		tony	41.500,0	42.500,0	86,7
57	Tkaniny, dzianiny i wyroby nietkane wełniane i wełnopodobne		tony	91,4	72,5	70,4
58	Tkaniny lniane i konopne		tony	88,9	87,7	90,5
59	Tkaniny, dzianiny jedwabne i jedwabnopodobne		tony	188,6	181,6	86,7
60	Skóry gotowe miękkie	(s)	tys.m² (e)	28.070,0	27.580,0	99,2
61	Masa celuloz-fluszerowa i drób		tys. ton	1.970,0	1.698,0	86,6
62	Skóry surowe zakonserw. dla przem. garb. (łącznie z bławatkiem)	(o)	tony EW	186.000,0	180.700,0	108,7
63	Mięso	(e)	tys. ton	277,5	247,0	90,5
64	Cukier		tys. ton	1.274,0	1.418,0	110,9
65	Tytoń przemysłowy		tys. ton	76.048,0	75.988,0	108,7
66	Pasze treściwe (w jed. kalmd.)		tys. ton	6.870,0	6.000,0	78,1
67	Ziarno zbóż podst. konsump., pasz.-ow. i siew. (jedn kalmd.)	(m)	tys. ton	10.464,0	8.110,0	77,6
68	Drewno tartaczne iglaste	(l)	tys. m³	9.185,0	9.150,0	99,5
69	Opony do pojazdów samoch. osobowych		tys. szt.	2.580,0	2.580,0	96,1
70	Opony do pojazdów samoch. ciężarowych autob. i urządzeń (bez rolniczych)		tys. szt.	1.812,0	2.090,0	114,8
71	Opony ciągnikowe		tys. szt.	720,0	680,0	117,8
72	Opony do maszyn i urządzeń rolniczych		tys. szt.	600,0	600,0	100,0
73	Aparaty powietrzne i tlenowe		tys. szt.	2,0	2,5	118,7
74	Sprzęt ochronny półmaski przeciwpyłowych	(p)	szt.	1.140.000,0	2.251.188,0	850,2
75	Tarcza sprzęgłowa	(l)	tys. szt.	288,6	270,0	107,1
76	Odzież z metaloplastu		tys. szt.	82,0	88,4	46,7
77	Rękawy do pojazdów uprzywilejowanych		tys. szt.	2,3	2,3	100,0
78	Węże strażne do motopomp pożarniczych		tys. szt.	3,0	34,0	720,0
79	Węże tkczne powietrzne	(q)	mln mb	1.960,4	2.114,2	119,8
80	Półmaska FF-1	(l)	tys. szt.	18,0	145,0	118,3
81	Saybki — filtry siatkowe do ciągników i tarcz sprzęgłowych		tys. szt.	2.000,0	1.870,0	86,7
82	Środki gaśnicze	(j)	tony	5.274,2	7.140,5	195,8
83	Taśmy transporterowe z tworzyw sztucznych taśm przenośnikowych gumowych	(r)	km (k)	8.186,7	8.673,0	117,1
84	Rękawice ochronne		tys. par	48.040,0	40.068,0	81,8
85	Obuwie ochronne	(s)	tys. par	9.600,0	7.018,0	77,9
86	Tkaniny transportowe		tys. m² (k)	11.500,0	13.200,0	114,8
87	Tkaniny opaskowe	(l)	km (k)	24.000,0	21.400,0	150,3
88	Odzież ochronna		tys. szt.	618,4	688,0	118,4
89	Tkaniny techn. lepione		Mg	57.288,0	78.000,0	122,8
90	Zlew stalowy	(e)	tys. ton	9.587,0	8.922,0	98,1
91	Zlew żeliwny		tys. ton	1.700,0	1.848,0	108,7
92	Zlew nierdzewny		tys. ton	166,1	150,5	88,9
93	Zlew cynowy		tys. ton	3.710	3.715	100,1
94	Zlew cynku		tys. ton	142,0	151,7	98,7
95	Zlew ołowiu		tys. ton	77,8	80,5	100,6
96	Zlew stalowy		tys. ton	180,4	177,5	98,4
97	Odpady z tworzyw sztucznych termoplastycznych		Mg	17.800,0	20.040,0	112,6
98	Kalendarze	(e)	tys. ton	411,1	444,0	108,0
99	Wielkonakładowe surowce wtórne		tys. ton	118,6	118,0	99,5

Appendix 1. List of Annual Central Materials Balance-Sheets for 1982

[Key]

(a) Item number
(b) Description
(c) Unit of measure
(d) Outflow to supply country
(e) Thousands of tons
(f) Millions of meters
(g) Millions of square meters
(h) Millions of kilowatthours
(i) Thousands of kilometers
(j) Tons
(k) Kilometers
(l) Thousands
(m) Thousands of cubic meters
(n) Thousands of cubic kilometers
(o) Tons of ZW
(p) Units
(q) Millions of running meters
(r) Thousands of pairs
(s) Thousands of square meters

[item numbers]
(1) Hard coal and hard-coal briquets
(2) Lignite
(3) Coke and semicoke
(4) Cokery and gas-cokery plant gas
(5) High-methane natural gas
(6) Nitrided natural gas
(7) Crude oil
(8) Fuels and partly finished products of fuels for spark-ignition engines
(9) Fuels for compression-ignition engines
(10) Furnace oil
(11) Electric power
(12) Iron ores and ferrous wastes (calculated in terms of Fe)
(13) Finished rolled products
(14) Steel pipe
(15) Cold-rolled steel sheetmetal
(16) Metallurgical processed products
(17) Alumina
(18) Electrolytic copper
(19) Zinc
(20) Lead
(21) Tin
(22) Nickel
(23) Aluminum
(24) Silver
(25) Products made from copper and copper alloys
(26) Products made from aluminum and aluminum alloys
(27) Electric-power cables
(28) Electric automotive acid storage batteries
(29) Sulfur
(30) Phosphorous raw materials
(31) Soda ash and heavy soda ash
(32) Caustic soda
(33) Nitrogen fertilizers (calendar years)

(34) Phosphrous fertilizers (calendar years)
(35) Potassium fertilizers (calendar years)
(36) Polyethylene
(37) Polyprophylene and ethyl prophylene copolymers
(38) Polyvinylchloride and vinyl copolymers
(39) Polyestyrene and styrene copolymers
(40) Natural rubber
(41) Synthetic rubber
(42) Chemical fibers
(43) Asbestos
(44) Cement
(45) Coniferous lumber
(46) Chipboard
(47) Mining timber and crossbeams
(48) Paper cellulose
(49) Viscose cellulose
(50) Paper
(51) Cardboard
(52) Cotton
(53) Cotton yarn and yarnlike product
(54) Cotton and cotton-like fabrics, knits, and stockingcloth products
(55) Wool
(56) Wool yarn and wool-like worsted
(57) Wool and wool-like fabrics, knits, and stockingcloth products
(58) Flax and hemp fabrics
(59) Silk and silk-like fabrics, knits
(60) Soft prepared hides
(61) Bulk fat-meat and poultry
(62) Rawhides treated for tanning industry (including fine leather industry)
(63) Butter
(64) Sugar
(65) Industrial tobacco
(66) Concentrated fodder (calendar years)
(67) Basic grain seed for consumption, fodder, and sowing (calendar years)
(68) Coniferous sawmill lumber
(69) Tires for automobiles
(70) Tires for trucks, machinery and equipment (nonagricultural)
(71) Tractor tires
(72) Tires for farm equipment and machines
(73) Air and oxygen apparatus
(74) Dust respirator equipment
(75) Welders' face shields
(76) "Metaplex" shields
(77) Sirens for authorized vehicles
(78) Fire-engine hoses
(79) Fire hoses
(80) PP-2 respirators

(81) Rapid green filters for welders' face shields and glasses
(82) Fire extinguishers
(83) Plastic-rubber conveyor belts
(84) Protective gloves
(85) Protective footwear
(86) Transport-equipment fabric
(87) Tire fabric
(88) Protective clothing
(89) Melted grease
(90) Steel scrap
(91) Cast-iron scrap
(92) Scrap containing copper
(93) Tin scrap
(94) Zinc scrap
(95) Lead scrap
(96) Scrap containing aluminum
(97) Thermoplastic waste
(98) Wastepaper
(99) Textile secondary raw materials

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often include only part of the needs (alongside the inaccuracies), that is, for direct consumption without taking coproduction into account, for use without production, for export sales of the product without including the materials needs related to export production, and so on.

In this situation the central materials balance-sheets are primarily an instrument of the internal coordination of the Central Socioeconomic Plan and represent guidelines for materials supply policy.

The distribution units should respect the provisions in the central materials balance-sheets concerning materials distributed in the realm of the sizes envisaged for:

Outflow for small-scale industry,
Export sales,
Sales to the population,
Consumption by special customers,
Allocations for state reserves.

Nonetheless, in the event that the outflow really falls to pieces, these sizes too can change. A material's inclusion on the central balance-sheet means that this material is automatically included in central imports out of the funds at the disposal of the Ministry of Foreign Trade to the extent of the size provided in the central balance-sheet.

Another new element is the fully open nature of the central materials balance-sheets, which simultaneously represent an important source of information for the enterprises when they are drawing up their own plans.

Appendix 2. List of Authorized Turnover Units and Materials Distributed in 1982 and Those for Which an Intermediary (Broker) Is Required

Lp.	Nazwa uprawnionej jednostki obrotu	Nazwa materiału rozdzielanego i objętego obowiązkowym pośrednictwem	Nazwa materiału objętego tylko obowiązkowym pośrednictwem	Jednostki terenowe uprawnione do podziału w województwie i prowadzenia obrotu
1	2	3	4	5
1	Centrala Zbytu Węgla	węgiel kamienny i brykiety z węgla kamiennego	—	terenowe jednostki Centralnego Związku Spółdzielni Rolniczych „Samopomoc Chłopska"
2	Centrala Zaopatrzenia Rolnictwa	węgiel brunatny, import, węgiel miałowy K"	—	—
3	Centrala Produktów Naftowych	ropa naftowa, paliwa płynne do napędów, olej opałowy	—	Okręgowe Przedsiębiorstwa Obrotu Produktami Naftowymi
4	Centrala Zbytu Stali „Centrostal"	wyroby hutnicze żelaza i stali	—	oddziały rejonowe Centrali Zbytu Stali
5	Centrala Handlowa Metali Nieżelaznych	wyroby przemysłu metali nieżelaznych	tlenek glinu	terenowe jednostki Centralnego Związku Spółdzielni Rolniczych „Samopomoc Chłopska"
6	Magazyn Centralny	wyroby z metali nieżelaznych	—	—
7	P.P. Polskie Odczynniki Chemiczne	—	odczynniki chemiczne	Okręgowe Przedsiębiorstwa Handlu Chemikaliami „Chemia"
8	Biuro Sprzedaży Kabli i Przewodów „Centrokabel"	kable elektroenergetyczne	kable i przewody	Przedsiębiorstwa Handlu Artykułami Technicznymi „Elmet"
9	Centrala Techniczno-Handlowa Maszyn i Aparatów Elektrycznych „Ema-Zbyt"	akumulatory elektryczne kwasowe	—	— dla potrzeb rolnictwa: okręgowe przedsiębiorstwa „Agroma" — dla pozostałych odbiorców: okręgowe przedsiębiorstwa „Polmosbyt"
10	Przedsiębiorstwo Obrotu Towarowego Przemysłu Tworzyw i Farb „Chemia"	tworzywa sztuczne	—	Okręgowe Przedsiębiorstwo Handlu Chemikaliami „Chemia"
11	Przedsiębiorstwo Obrotu Artykułami Przemysłu Gumowego „Stomil"	kauczuki (bez lateksów) opony do pojazdów samochodowych, ciągników i maszyn rolniczych	—	KAUCZUKI — Okręgowe Przedsiębiorstwa Handlu Chemikaliami „Chemia" opony dla potrzeb rolnictwa — okręgowe przedsiębiorstwa „Agroma" opony do pojazdów osobowych i ciężarowych — okręgowe przedsiębiorstwa „Polmosbyt"
12	Składnica Surowców Fosforowych	—	fosforyty i apatyty	—
13	Przedsiębiorstwo Zbytu Nawozów Mineralnych i Chemikaliów „Agrochem"	—	nawozy sztuczne	Okręgowe jednostki Centralnego Związku Spółdzielni Rolniczych „Samopomoc Chłopska"
14	Biuro Zbytu Materiałów Izolacji Budowlanej	—	asfalt, masy i płyty z wełny mineralnej	Centrala Materiałów Budowlanych
15	Biuro Zbytu Cementu	cement	—	— dla potrzeb odbiorcy gospodarki uspołecznionej: Centrala Materiałów Budowlanych — odbiorcy indywidualni: terenowe jednostki Centralnego Związku Spółdzielni Rolniczych „Samopomoc Chłopska"
16	Centrala Obrotu Drewnem	tarcica i płyta	—	Przedsiębiorstwa Przemysłu Drzewnego
17	Biuro Zbytu Płyt Wiórowych „Drewmet"	płyty wiórowe	płyty wiórowe pilśniowe	Centrala Materiałów Budowlanych
18	Biuro Obrotu Papierem*	papier, tektura	tektura papierowa	Przedsiębiorstwa Handlu Artykułami Technicznymi „Elmet"
19	Centrala Surowców Włókienniczych i Skórzanych	skóry skórowe	tektura, włókna	—
20	Centrala Handlowo-Techniczna Sprzętu Pożarniczego i Ochronnego „Sapon"	—	odzież ochronna i sprzęt ochrony osobistej, sprzęt przeciwpożarowy i środki gaśnicze	Przedsiębiorstwa Handlu Artykułami Technicznymi „Elmet"
21	Centrala Zbytu Wyrobów Metalowych „Metalzbyt"	—	ołowiu i stopów cynowo-ołowiowe	oddziały terenowe Centrali Zbytu Wyrobów Metalowych „Metalzbyt"

* wymaga utworzenia na bazie pionu zbytu Zjednoczenia Przemysłu Papierniczego.

Appendix 2. List of Authorized Turnover Units and Materials Distributed in 1982 and Those for Which an Intermediary Is Required

[Key]

Column 1. Item number

Column 2. Names of Authorized Turnover Units [by item number]

1. Coal Sales Center
2. Metallurgy Supply Center
3. Petroleum Products Center
4. CENTROSTAL Steel Sales Center
5. Nonferrous Metals Trade Center
6. State Mint
7. Polish Chemical Reagents State Enterprise
8. CENTRALKABEL Sire and Cable Sales Office
9. EMA-ZBYT Electrical Machinery and Equipment Technical Trade Center
10. CHEMIPLAST Commodity Turnover Enterprise of the Dye and Plastics Industry
11. STOMIL Goods Turnover Enterprise of the Rubber Industry
12. Phosphorous Raw Materials Depot
13. AGROCHEM Mineral Fertilizers and Chemicals Sales Enterprise
14. Construction Insulation Materials Sales Office
15. Cement Sales Office
16. Lumber Turnover Center
17. PLYTOZBYT Panel and Plywood Sales Office
18. Paper Turnover Office* (*must be created on the basis of sales echelon of Paper Industry Assoc.)
19. Textile and Leather Raw Materials Center
20. SUPON Fire-fighting and Protective Equipment Technical Trade Center
21. METALZBYT Metal Products Sales Center

Column 3. Name of Material Distributed for Which a Broker Is Required [by item number, column 1]

1. Hard coal and hard-coal briquets
2. Imported "K"-brand coal, coke, and partly-processed coke
3. Crude oil, liquid fuels for engines, furnace oil
4. Products of ferrous and steel metallurgy
5. Products of nonferrous metals industry
6. Products of noble metals
7. --
8. Electric-power cables
9. Acid storage batteries
10. Plastics
11. Rubber (except latex), tires for motor vehicles, tractors, and farm machinery
12. --
13. --
14. --

15. Cement
16. Coniferous lumber
17. Chipboard
18. Paper, cardboard
19. Rawhides
20. --
21. --

Column 4. Name of Material Included Only in Materials for Which a Broker Is Required [by item number, column 1]

5. Alumina
6. Chemical reagents
8. Cables and conduits
12. Phosphorites and apatites
13. Artificial fertilizers
14. Asbestos, mineral wool panels and mats
17. Panels of wood origin
18. Paper cellulose
19. Cotton, wool
20. Protective clothing and protective equipment for personnel, fire-fighting equipment, and extinguishing agents
21. Zinc-lead binders and electrodes

Column 5. Local Units Authorized to Handle Voivodship Distribution and Turnover [by item number, column 1]

1. Local units of SAMOPOMOC CHLOPSKA Central Union of Farming Cooperatives
3. District Enterprises for Petroleum Product Turnover
4. Regional departments of Steel Sales Center
5. Local units of SAMOPOMOC CHLOPSKA Central Union of Farming Cooperatives
6. CHEMIA District Chemical Trade Enterprises
8. ELMET Enterprises for Trade in Technical Items
9. For the needs of agriculture: AGROMA district enterprises
   For other customers: POMOZBYT district enterprises
10. CHEMIA District Chemical Trade Enterprises
11. Rubber: CHEMIA District Chemical Trade Enterprises
    Tires for agricultural needs: AGROMA district enterprises
    Tires for trucks and automobiles: POMOZBYT district enterprises
13. Local units of SAMOPOMOC CHLOPSKA Central Union of Farming Cooperatives
14. Building Materials Center
15. Small socialized-economy customers: Building Materials Center
    Private customers: Local units of SAMOPOMOC CHLOPSKA Central Union of Farming Cooperatives
16. Timber Industry Enterprise
17. Building Materials Center
18., 20. ELMET Enterprise for Trade in Technical Items
21. Local units of METALZBYT Metal Products Sales Center

[end of key]

If the central materials balance-sheet shows that there will be a great increase in the production of a given material, then the enterprises can plan to develop production further on the basis of that material. On the other hand a "tight" materials balance-sheet should indicate to the enterprises that they cannot count on expanding production based on that raw material , unless some substitute is introduced or the consumption standard per unit product is reduced.

In connection with the imposition of martial law, the Council of Ministers introduced by means of a resolution dated 30 December 1981, the compulsory preparation of quarterly central plans (during the period of martial law).

On the basis of the above-mentioned Council of Ministers resolution, the chairman of the Council of Ministers Planning Commission has established the scope of the compilation of central materials balance-sheets for the various quarters.

The central quarterly balance-sheets encompass a far narrower range of raw and other materials in the Central Socioeconomic Plan for the first quarter of 1982. The balance-sheets are merely informational in nature and should be used as an aid in assigning specific quarterly allocations within the framework of the annual allocations made. Owing too to the import difficulties which occur, the quarterly materials balance-sheets represent guidelines for the size and ordering of central importation. The drafting of the central materials balance-sheets during the first quarter of 1982 in the system which takes into account the various ministries' consumption is very often interpreted as a return to central distribution by the ministries. Now, this is a misunderstanding, because this balance-sheet is merely informational, and there is no possibility of using it for the distribution made at the enterprise level.

These central materials balance-sheets, both the annual and quarterly ones, of course are not the only materials balance-sheets drawn up in 1982.

The producers or turnover units, as appropriate, should prepare a far larger number of materials balance-sheets. Obviously the enterprises do not have to draw up these balance-sheets, but it is difficult to imagine any real work by a producer or corresponding unit responsible for selling a given product without drawing up at least a very concise materials balance-sheet including the influx and basic directions of outflow at the very least. Such a balance-sheet should be an integral part of the enterprise's plan.

In order to avoid market disruptions, the Office of Materials Management has asked the enterprises to send it certain materials balance-sheets. These balance-sheets will be used only in the form of information about the anticipated situation in a given sector of materials supply, in order to take possible action to relieve anticipated disruptions, for

example, by announcing the decision to change customs tariffs, by causing imports to be increased, by promulgating a new price decision, and the like.

The past system of distributing resources and funds ran in a horizontal system. That is, the Planning Commission of the Council of Ministers divided resources up among the government departments, and the ministries did the same in relation to the industrial associations, which in turn distributed the resources received to the enterprises. Allocations of resources were related to directive-type tasks handed down by the central level through the intermediate levels of management.

The change in the system of management and the related elimination of the industrial associations along with the setting of directive-type tasks are bound to be related to a change in the system of resources distribution. It is not possible to handle distribution the old way, because there is no application (tasks), and it is technically impossible without the mechanism of the industrial associations. Up until now several 1,000 people in the industrial associations handled distribution.

The means-of-production distribution system inculcated in 1982 is being carried out horizontally, that is, running between the enterprises, going around the bodies of the economic and state administration.

Distribution will be accomplished on behalf of the customer-enterprises by units trading in the means of production. A departure from this principle is the maintaining of vertical distribution for units of the Ministry of National Defense, the Ministry of Internal Affairs, the Central Board of Penal Institutions under the Ministry of Justice, and small-scale manufacturing units. Customers can authorize an association or other organization to approach the distribution units of their behalf.

Authorization to represent the enterprises may not be given by bodies of the administration, such as a minister or plenipotentiary. Only the enterprise itself can provide this authorization.

The items distributed in 1982 include 16 groups or macrogroups of materials, which are mentioned in rubric 3 of appendix no 2 and encompass about 25-30 percent of the materials used. All the distributed materials are covered by the requirement that there be an intermediary, a unit trading in the means of production, which unit has simultaneously been authorized to carry on distribution. This means that producers of distributed materials cannot sell them by going around the units authorized to trade in the means of production.

In addition, export sales of an item covered by the distribution system can take place only in cooperation with the proper tunover unit. Any sort of agreement which the producer of distributed means of production makes without applying these principles is legally invalid, and in the event of a sale conducted outside these principles, the producers of the mater-

ials and goods subject to the distribution system are required to turn over to the budget an additional payment amounting to 50 percent of the value of the items sold.

Alongside the materials covered by the distribution system, compulsory brokerage of turnover units also applies to the items mentioned in column 4 of appendix no 2. Although they need not be distributed in the official manner, these items have nonetheless been covered by the requirement that authorized turnover units be used as agents, owing to the danger of a worsening of market difficulties, if free turnover is permitted in this realm.

The intermediary of turnover units for the materials mentioned in columns 3 and 4 of appendix no 2 is not required if:

The sale of the material stems from the management of improper stock,

The sale applies to objects with characteristics which do not meet the quality, dimensional, or utilitarian or other parameters established for them.

The Minister of Materials Economy has been authorized to give his agreement for the producer of a material covered by compulsory intermediary to conduct free sales.

It is to be anticipated that such agreement will be given to producers, but after they have signed contracts for the delivery to a turnover unit authorized to act as a required intermediary, for an amount insuring the influx level set in the central materials balance-sheet.

The Minister of Materials Management is also authorized to consent to wholesale trade of the items listed in appendix no 2, by other units trading in the means of production.

This authorization has been utilized to a great extent, because appendix no 2 of the guidelines* authorizes certain units to conduct wholesale trade of materials for which an intermediary is required. It is to be anticipated that in the course of describing in detail the new system of supply, this list will be further expanded. The scope of authorizations currently granted to wholesale trade is presented in column 5 of appendix no 2.

The units trading in the means of production with distribution or required intermediary authorization (mentioned in appendix no 2) divide up the bulk of commodities on the basis of the following:

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*Guidelines of the Minster of Materials Management dated 29 December 1981 on the principles for distribution of fuels, and raw and other materials for which an intermediary is required in 1982.

Central materials balance-sheets (annual and quarterly),

Operational programs, especially those based on product lists included in these programs,

Coordinating instructions of the Office of Materials Management,

Their own analyses of sales and consumption in previous periods,

Customers' needs and information.

In the event of doubt, the turnover unit is authorized to demand, and the customer is obliged to present, an appropriate agreement made in the realm of deliveries of goods included in the operational programs or components of these products.

The items covered by the distribution system or for which an intermediary is required are distributed in three basic systems:

For customers of the Ministery of National Defense, the Ministry of Internal Affairs, and small-scale industry, according to a vertical framework encompassing collective allocations,

Itemized for the various major customers,

By the local units trading in the means of production, for the various voivodships, for sales.

In this distribution the turnover units should be guided by certain priorities, that is, first of all to insure appropriate supply for parties implementing operational programs and producers of materials subject to the distribution system, if they are major consumers.

The remaining implementers of the operational programs will also avail themselves of these privileges, but the local turnover unit will divide up the bulk of the commodities. Very often the concept of major consumer was equated with allocation privilege. The new system of supply is to insure better supply for the small-scale and smallest customers at the cost of reducing deliveries to major consumers.

On the other hand, it is worth noting that nearly all the materials that are covered by the distribution system are primarily used by a very small number of customers.

Research conducted by the Main Statistical Office [GUS] on the concentration of the consumption of major materials in 1979 showed that 75 percent of the bulk of the commodities is consumed by:

297 enterprises in metallurgical products,
6 enterprises in copper,
31 enterprises in bronze rolled goods,

13 enterprises in telephone calbes,
59 enterprises in hardwood lumber,
37 enterprises in paper.

The examples given show the great concentration of materials consumption. It should be mentioned too that very often the same enterprise will be a major customer for one material and a minor customer for the rest of the distributed materials. Even small delivery restrictions for major consumers can create a substantial improvement in supply to the rest. In addition, the major consumers can very often provide for their supply from other sources. For example, the Automobile Factory [FSO] can buy imported batteries within the framework of the funds gained from the export of automobiles, but small consumers very often do not have such possibilities.

The general division prepared for materials is presented by authorized turnover units for agreement by oversight bodies which approve the way the division is to be made or call for certain corrections.

The oversight bodies have been created by separate decisions of the Minister of Materials Management for all the turnover units specified in appendix no 8 to Council of Ministers Resolution No 243, that is, those with authorization to act as required intermediaries. The oversight bodies include the following representatives:

Office of Materials Management,
Planning Commission of the Council of Ministers,
Interested ministries and central unions,
Turnover units and production enterprises.

A major task of these groups is supervision to see that the commodity mass is divided up properly and to review allocation appeals. In addition these groups should make periodic forecast-assessments in a given market sector and present appropriate conclusions and proposals. These oversight groups created by the Minister of Materials Economy oversee only the discussed general division, that is, for the major consumers and for the various voivodships and units included in centralized distribution, that is, the Ministry of National Defense, the Ministry of Internal Affairs, and so on.

On the other hand, in the field, a similar role to that of the oversight groups is filled by the WZGMs [Voivodship Materials Management Groups], which will oversee the division of the commodity bulk allocation in a voivodship for a specific local turnover unit. For example, the POLMOZBYT State Enterprise in Kielce, which receives a designated number of automotive tires for the Kielce Voivodship, is required to prepare to divide up these tires and secure agreement on it with the WZGM in Kielce. As conditions arise, WZGM may permit the local turnover unit to conduct free sales of the distribution-system material allocated for the given voivodship (in toto or in part).

In the event that the scope of operation of a given turnover organization encompasses several voivodships, each of the voivodships receives a separate allocation, which is distributed in conjunction with the given voivodship's WZGM, in keeping with the instructions given above.

The WZGMs operate in the various voivodships on the basis of Decision No 5 of the Chairman of the Council of Ministers dated 15 February 1975 on the creation of the WZGMs. This does not mean that the new tasks envisaged for the WZGMs do not need appropriate alterations in the activity of these groups, but this matter belongs to the jurisdiction of the voivodship presidents and governors.

The major customers which have received listed allocations in sales offices should be taken into account in the dividing up of this same material in the local turnover unit. This does not mean that the execution of deliveries for these customers cannot take place through the intermediary of the local turnover units within the framework of the limits which the sales offices cedes. It should be mentioned that the same enterprise can be a major customer for one item assortment and a minor customer for the rest of the materials. For example, the Ursus Mechanical Plants are certain to be a major customer for tractor tires at Stomil and receive transit deliveries directly from the tire producer, but for automobile tires they will be a minor customer supplied by POLMOZBYT State Enterprise.

The system for the distribution of coal, coke, and liquid fuels coincides with the overall assumptions. On the other hand the allotment of electric power and gas fuels is handled by the Office of Materials Management through the intermediary [words missing] ... established by the Chief Inspectorate of Power Management, and

Electric power consumers using up to 5 gigawatthours and natural gas customers using up to 200 cubic meterhours and coking gas customers using up to 400 cubic meterhours are not included in the limits,

For the 157 major electric power customers and for the 48 major gas network customers the Chief Inspectorate of Power Management will set the allotments,

For the rest of the customers included in the allotment program, the allotments are set by the District Power Management Inspectorates.

On the basis of the allotments made, the enterprises have the right to enter into agreements with the District Power Plants for the delivery of electric power. These agreements should specify the rest of the principles for cooperation in this area.

In discussing the distribution system in effect in 1982, we should also mention the differences in the distribution of paper for publishing.

Consistent with the provisions of the Council of Ministers, the Minister of Culture and Art has been granted the authority to divide up the paper designated for publishing purposes. In this situation the turnover unit, that is, the Paper Turnover Office (currently still an industrial association) will turn over the entire amount of paper for publishing purposes for disposal by the Minister of Culture and Art and divide up the rest of the paper in keeping with the principles generally in effect.

Unclear aspects related to the system of supplying construction are often brought up in connection with the voivodship governors' assuming oversight over many construction enterprises. The specific nature of the construction process including the fact that the means of production here are mobile but the product created in this area is not, justifies the need for review of a different supply organization and not the need for a separate distribution method. The shift of distribution from the ministries to the voivodship governors would mean merely changing the distribution agent and would not be changing the nature of the distribution system, which is essential under reform conditions. This issue has been explained in a separate circular* whose text appears in the current number of GOSPODARKA MATERIAŁOWA.

In the previous distribution system, most of the enterprises appealed the resource allocations, referring to the tasks received by directive. At the present time, when directive-type tasks are disappearing, there is less basis for appealing the allocation decisions, which does not mean that with such a difficult supply situation there are not a large number of enterprises which are dissatisfied with the sizes of the allocations. These units can appeal to those units handling the turnover of the means of production which issued the authorization to buy the distributed material.

Appeals denied by the turnover unit are subject respectively to review by the oversight bodies or the voivodship materials management groups.

It should be explained that the oversight units and WZGMs do not intervene in the economic activity of the turnover units which are also enterprises but only represent a certain form of socialization of the distribution process. As we know, distribution authorizations are a form of authority which the state has delegated by introducing mandatory intermediation and could be exploited by the authorized turnover units for their own benefit.

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*Circular No 2 of the Minister of Materials Management dated 23 February 1982 on the principles of material supply for construction enterprises, with consideration given to enterprises supervised by governors of voivodships and to cooperation between voivodship governors and enterprises handling the turnover of distributed materials.

Materials Management Guidelines

Warsaw GOSPODARKA MATERIALOWA in Polish No 5-6, Mar 82 pp 96-101

[Official guidelines: "Guidelines of the Minister of Materials Management Dated 29 December 1981, on the Principles for the 1982 Distribution of Fuels and Raw and Other Materials Included in Mandatory Agency (Middleman) Service"]

[Text] On the basis of Council of Ministers Resolution No 243 dated 30 November 1981 on the principles of operation of the state enterprises in 1982 and the Council of Ministers resolution dated 28 December 1981 on the functioning of the economy under martial law, the following course is established for the distribution of fuels and basic raw and other materials hereinafter called materials for the year 1982 along with the course of review of appeals.

I. General Principles

1. Office of Materials Management [UGM] will give to the turnover units entrusted with the turnover of the means of production in 1982 on the basis of direct agency in the turnover of specific groups of materials:

Central materials balance-sheets,

Operational programs, lists of products included in these programs, and lists of producers carrying out these programs together with their major coproduction partners,

UGM coordination instruction.

2. The means-of-production turnover units are preparing the parcelling out of materials to provide first of all for supplying the various operational programs, the country's defense needs, and state reserves.

3. The authorized turnover units disseminate the materials and apply other distribution methods discussed in §18, Point 4 of the resolution mentioned at the beginning, on the basis of the following:

Central materials balance-sheets,

Operational programs mentioned in Point 1,

Their own analyses of the sales and consumption in prior periods,

Information and demands of consumers (including the level of stock),

UGM coordination instructions.

At the command of the supply-trade units the consumers are required to submit corresponding contracts made in the realm of deliveries of goods included in the operational programs

4. In the course of conducting the dissemination process, the trade units that are exclusive agents come to an agreement with the producers of the distributed materials concerning the size and assortment envisaged for deliveries on a level at least equal to that set down in the central balance-sheet.

5. Within the framework of the overall apportionment of materials, the turnover units should allocate the amount of materials:

For the disposal of the Ministry of National Defense, the Ministry of Internal Affairs, and the Ministry of Justice -- the Central Administration of Penal Institutions and the MARKO Foreign Trade Enterprise,

Allocated for state reserves,

For the disposal of the individual bodies that coordinate the activity of small-scale manufacturing units mentioned in Point 10,

For the various major customers,

For the various voivodships for sale by local units trading in the means of production,

For distribution at a later date.

It is recommended that the essential limit on deliveries first of all encompass the largest customers (those registered for allocation), so that the amount of materials for sales to smaller customers may thereby be increased.

6. The authorized turnover units present the general materials apportionment they have prepared for approval by supervisory teams created by the Minister of Materials Management according to the principles given in Appendix No 1 to these guidelines.

7. The general materials apportionment approved by the supervisory team is sent by the turnover unit to the Office of Materials Management [UGM].

8. In the event it is determined that the general materials apportionment:

Does not meet the requirements implied in these guidelines or does not insure proper priority to general social purposes, the Minister of Materials Management will call for an appropriate correction in the apportionment.

9. The detailed apportionment of materials allocated for the disposal of the Ministry of National Defense, the Ministry of Internal Affairs, the Ministry of Justice -- the Central Administration of Penal Institutions, and MARKO Foreign Trade Enterprise and the determination by the units trading in the means of production that accomplish these deliveries are accomplished in a separate manner established by the appropriate ministries in agreement with the Minister of Materials Management.

10. The registry of materials allocations for small-scale industry lists the following:

Central Union of Crafts and Trades [CZR],

Central Union of Work Cooperatives [CZSP],

Central Union of Invalids Cooperatives [CZSI],

Central Union of Cooperatives for the Blind [CZSN],

CEPELIA Central Union of Cooperatives for Folk and Artistic Handicrafts [CZSRLiA],

National Commission for the Coordination of the Economic Activity of Social Organizations,

Voivodship organizations of state local industry in Warsaw, Katowice, Kielce, Lodz, and Szczecin.

The registered allocations for various sections of small-scale manufacturing is handled by the Council of Ministers Planning Commission within the framework of the total size established in the central materials balance-sheets.

The apportionment of the materials allocated for disposal by the various sections of small-scale industry is handled by appropriate units as indicated by the directors of the organizations that coordinate the activity of these units.

11. The materials allocated for a given voivodship for sales by the corresponding local unit trading in the means of production should be sold on the basis of free sales or apportioned in agreement with the Voivodship Materials Management Team.

12. Consistent with the principles presented in Point 5, the authorized turnover unit should leave part of the materials for apportionment at a later time. This amount should provide for the possibility of additional allocations (deliveries) during the year for these pruposes:

Purposes related to break-downs and other accidents of fate,

Awarding of additional allocations in the event of a positive decision following the review of appeals and complaints.

It is recommended that part of the undistributed amount, insofar as possible, not less than 5 percent of the total amount being disposed of, be put to one side.

13. The following schedule for the work is established:

Instructions for the turnover units be transmitted by 31 December 1981,

The central materials-balance-sheets and operational programs and UGM coordinating instructions is transmitted by 10 January 1982,

The general apportionment of materials is accomplished and presented to UGM by 31 January 1982.

14. Deliveries of electric power and gas fuels are allotted in keeping with the principles specified in a separate directive of the Minister of Materials Management issued in cooperation with the Minister of Mining and Power Industry.

15. By the time of the apportionment of the materials in keeping with these instructions, the following should be accomplished:

Deliveries of materials for the first quarter should be carried out to the extent of the sizes allotted by the industrial associations, according to the previous organizational status,

Distributed materials supplied during the first quarter of 1982 should be considered as an installment of the annual allotment which will be recalculated after the dissemination according to the new principles has been accomplished,

Demands (orders) should be accepted for distributed materials by all the enterprises authorized to handle trade of the means of production according to the previous organizational status. This also applies to the wholesale enterprises mentioned in Appendix No 2 of these instructions. These enterprises are not designated in the Council of Minsiters resolution of 30 November 1981 to conduct distribution, but they will conduct this activity in accordance with §21, Paragraph 6 of the above-mentioned resolution and on the basis of agreements made with sales organizations. At the same time the principle should be adopted that during the first quarter of 1982 the enterprises trading in the means of production will supply customers with about 20 percent of the annual deliveries made in 1981.

II. Principles for Reviewing Allocations Appeals

1. Consumers of a distributed material or one included in the compulsory agency system can file an appeal concerning the amount and item assortment of materials allocated to a unit which has transmitted authorization to buy this material or has refused sales within the framework of free sales.

2. A turnover unit which has received an appeal is required to review it and to handle it in a positive manner within the framework of its reserves and to transmit the appeal along with its opinion to the supervisory team or voivodship materials management team which issued an opinion (accepted and approved) the allotment of the material.

3. The sueprvisory team or voivodship materials management team reviews at its periodic meetings the appeals filed and awards additional allocations out of the reserves at the team's disposal or determines that the initial allocation will remain in force.

4. Decisions of the supervisory teams are compulsory and binding, and they can only be grieved with complaints for the decisions filed with the UGM, which will make an administrative examination of the propriety of the review and handling of the appeals.

Appendices:

1. Principles for creating supervisory teams of turnover units in 1982.
2. Supplementary guidelines for various materials branches.

Minister Jan Antosik

Appendix No 1 to the Guidelines of the Minister of Materials Management Dated 29 December 1981, on the Principles for the 1982 Distribution of Fuels and Raw and Other Materials Included in Mandatory Agency (Middleman) Service

Principles of Creating Supervisory Teams of Turnover Units in 1982

In order to insure the proper allotment of materials included in mandatory agency service, the Minister of Materials Management is creating the following supervisory teams for the units handling the commodity turnover of the means of production:

1. Team for Hard Coal and Briquettes Made Out of Hard Coal

Chairman: Representative of the Ministry of Mining and Power Industry

Membership: Representatives of:

Office of Materials Management
Council of Ministers Planning Commission
Ministry of National Defense
Ministry of Construction and Building Materials Industry
Ministry of Administration, Local Economy, and Environmental Protection
SAMOPOMOC CHLOPSKA Central Union of Agricultural Cooperatives
Coal Sales Center
Center for the Supply of Metallurgical Products
Center for the Supply and Transport of Mining and Power Industry

2. Team for Coke and Semicoke and Brand "K" Imported Coal

Chairman: Representative of the Ministry of Metallurgy and Engineering Industry

Membership: Representatives of:

Office of Materials Management
Council of Ministers Planning Commission
Ministry of National Defense
Ministry of Mining and Power Industry
Ministry of Administration, Local Economy, and Environmental Protection
SAMOPOMOC CHLOPSKA Central Union of Agricultural Cooperatives
Center for the Supply of Metallurgical Poruducts
Center for the Supply and Transport of Mining and Power Industry
Local Economy Supply Enterprise

3. Team for Liquid Fuels and Intermediate Products

Chairman: Representative of Office of Materials Management

Membership: Representatives of:

Council of Ministers Planning Commission
Ministry of National Defense
Ministry of Chemical and Light Industry
Ministry of Construction and Building Materials Industry
Ministry of Transport
Ministry of Administration, Local Economy, and Environmental Protection
Ministry of Domestic Trade and Services
SAMOPOMOC CHLOPSKA Central Union of Agricultural Cooperatives
Petroleum Products Center, CPN [Petroleum Industry Center]
Center for the Supply and Transport of Mining and Power Industry
Marine Supply Center
State Motor Transport Association

4. Team for Ferrous Metal Products

Chairman: Director of CENTROSTAL Steel Sales Center

Membership: Representatives of:

Council of Ministers Planning Commission
Office of Materials Management
Ministry of National Defense
Ministry of Metallurgy and Engineering Industry
Ministry of Construction and Building Materials Industry

5. Team for Products of Nonferrous Metals Industry

Chairman: Representative of Office of Materials Management

Membership: Representatives of:

Council of Ministers Planning Commission
Ministry of National Defense

Ministry of Metallurgy and Engineering Industry
Central Union of Crafts and Trades
CEPELIA Central Union of Folk and Artistic Handicrafts Cooperatives
Nonferrous Metals Trade Center

6. Team for Precious Metals Products

Chairman: Representative of Ministry of Finance

Membership: Representatives of:

Office of Materials Management
Council of Ministers Planning Commission
Ministry of National Defense
Ministry of Metallurgy and Engineering Industry
Polish National Bank
Central Union of Crafts and Trades
State Mint

7. Team for Cables and Conduits

Chairman: Representative of Ministry of Mining and Power Industry

Membership: Representatives of:

Office of Materials Management
Council of Ministers Planning Commission
Ministry of National Defense
Ministry of Metallurgy and Engineering Industry
Ministry of Construction and Building Materials Industry
Ministry of Communications
CENTROKABEL Cable and Conduit Sales Office
Center for the Supply of Mining and Power Industry

8. Team for Acid Storage Batteries

Chairman: Representative of Ministry of Transport

Membership: Representatives of:

Office of Materials Management
Council of Ministers Planning Commission
Ministry of National Defense
Ministry of Metallurgy and Engineering Industry
Plenipotentiary of Minister of Metallurgy and Engineering Industry for distribution supply operational program
CEMA-ZBYT Electric Ma hinery and Apparatus Tec hnical-Trade Center
Association of the State Automotive Commission
AGROMA Agricultural Equipment Trade Enterprise in Warsaw-Zabki or associations of farm equipment trade enterprises
POLMOZBYT Enterprise for the Turnover of Motor Vehicles and Spare Parts in Lublin or associations of POLMOZBYT enterprises for the turnover of motor vehicles and spare parts

9. Team for Plastics

Chairman: Representative of the Ministry of Chemical and Light Industry

Membership: Representatives of:

Office of Materials Management
Council of Ministers Planning Commission
Ministry of National Defense
Ministry of Metallurgy and Engineering Industry
Ministry of Agriculture and Food Economy
Chemical Plants in Oswiecim
CHEMIPLAST Enterprise for Commodity Turnover of the Plastics and Dyes Industry

10. Team for Rubber

Chairman: Representative of the Ministry of Chemical and Light Industry

Membership: Representatives of:

Office of Materials Management
Council of Ministers Planning Commission
Ministry of National Defense
Ministry of Foreign Trade
STOMIL Rubber Industry Institute in Piastow
STOMIL Enterprise for the Turnover of Rubber Industry Articles

11. Tires Team

Chairman: Representative of Ministry of Transport

Membership: Representatives of:

Office of Materials Management
Council of Ministers Planning Commission
Ministry of National Defense
Ministry of Chemical and Light Industry
Ministry of Administration, Local Economy, and Environmental Protection
STOMIL Enterprise for the Turnover of Rubber Industry Articles
AGROMA Agricultural Equipment Trade Enterprise in Lodz or associations of farm equipment trade enterprises
POLMOZBYT Enterprise for the Turnover of Motor Vehicles and Spare Parts in Starachowice or associations of POLMOZBYT enterprises for the turnover of motor vehicles and spare parts

12. Team for Cement

Chairman: Director of the Cement Sales Office

Membership: Representatives of:

Council of Ministers Planning Commission
Office of Materials Management
Ministry of National Defense
Ministry of Mining and Power Industry
Ministry of Construction and Building Materials Industry
Ministry of Agriculture and Food Economy
Ministry of Transport
Central Union of Housing Construction Cooperatives
Center for the Supply and Transport of Mining and Power Industry

13. Team for Lumber

Chairman: Director of the Wood Turnover Center

Membership: Representatives of:

Council of Ministers Planning Commission
Office of Materials Management
Ministry of National Defense
Ministry of Mining and Power Industry
Ministry of Construction and Building Materials Industry
Ministry of Transport
Ministry of Forestry and Timber Industry
Central Union of Crafts and Trades

14. Team for Wood-Product Panels

Chairman: Director of PLYTOZBYT Panel and Veneer Sales Office

Membership: Representatives of:

Council of Ministers Planning Commission
Office of Materials Management
Ministry of National Defense
Ministry of Construction and Building Materials Industry
Ministry of Forestry and Timber Industry
Central Union of Work Cooperatives
Central Union of Crafts and Trades

15. Team for Paper and Cardboard

Chairman: Representative of the Government Plenipotentiary for Paper Management

Membership: Representatives of:

Office of Materials Management
Council of Ministers Planning Commission
Ministry of National Defense

Ministry of Forestry and Timber Industry
Ministry of Culture and Art
"Prasa-Ksiazka-Ruch" Workers Cooperative Publishing House
[missing word(s)] Association of Paper Industry
Paper Turnover Office
Job Printshops in Warsaw [Wydawnictwa Akcydensowe]

16. Team for Rawhides, Wool, and Cotton

Chairman: Director of the Textile and Leather Raw Materials Center

Membership: Representatives of:

Office of Materials Management
Ministry of National Defense
Council of Ministers Planning Commission
Ministry of Chemical and Light Industry
Plenipotentiary of Minister of Chemical and Light Industry for operational program on footwear and clothing for children and youngsters
Ministry of Foreign Trade
Central Union of Work Cooperatives
Central Union of Invalids Cooperatives
Central Union of Crafts and Trades
CEPELIA Central Union of Folk and Artistic Handicrafts Cooperatives
Association of Producers of Workers Clothing and Uniforms
Association of Producers of Workmen's Gloves

17. Team for Chemical Reagents

Chairman: Representative of Ministry of Chemical and Light Industry

Membership: Representatives of:

Office of Materials Management
Council of Ministers Planning Commission
Ministry of National Defense
Ministry of Metallurgy and Engineering Industry
Ministry of Health and Social Welfare
"Polish Chemical Reagents" Industrial and Trade Enterprise

18. Team for Phosphorites and Apatites

Chairman: Representative of Ministry of Chemical and Light Industry

Membership: Representatives of:

Office of Materials Management
Council of Ministers Planning Commission
Ministry of National Defense
Ministry of Agriculture and Food Economy

Ministry of Foreign Trade
Phosphorous Raw Materials Depot

19. Team for Artificial Fertilizers

Chairman: Representative of Ministry of Agriculture and Food Economy

Membership: Representatives of:

Office of Materials Management
Council of Ministers Planning Commission
Ministry of Chemical and Light Industry
SAMOPOMOC CHLOPSKA Central Union of Agricultural Cooperative

20. Team for Asbestos, Mineral Wool Mats and Panels

Chairman: Representative of Ministry of Construction and Building Materials Industry

Membership: Representatives of:

Office of Materials Management
Council of Ministers Planning Commission
Ministry of National Defense
Ministry of Chemical and Light Industry
Construction Insulation Materials Sales Office

21. Team for Protective Clothing and Personal Protection Equipment, Fire-Fighting Equipment and Smothering Agents

Chairman: Representative of Office of Materials Management

Membership: Representatives of:

Council of Ministers Planning Commission
Ministry of National Defense
Ministry of Mining and Power Industry
Ministry of Metallurgy and Engineering Industry
Ministry of Construction and Building Materials Industry
Ministry of Forestry and Timber Industry
Central Union of Work Cooperatives
Central Union of Invalids Cooperatives
SAMOPOMOC CHLOPSKA Central Union of Agricultural Cooperatives
SUPON Fire and Protective Equipment Technical-Trade Center
Association of Protective Clothing Producers

22. Team for Zinc-Lead Binders and Electrodes

Chairman: Director of METALZBYT Metal Products Sales Center

Membership: Representatives of:

Office of Materials Management
Council of Ministers Planning Commission
Ministry of National Defense
Ministry of Metallurgy and Engineering Industry
OPAKOMET Light Sheet Packaging Complex

Appendix No 2 to the Guidelines of the Minister of Materials Management Dated 29 December 1981, on the Principle for the 1982 Distribution of Fuels and Raw and Other Materials Included in Mandatory Agency (Middleman) Service

Supplementary Guidelines for Various Materials Branches

1. Hard coal and hard-coal briquettes, as well as coke and semicoke

The Coal Sales Center will establish a list of consumers which it will supply directly. The coal allotment for the rest of the consumers is set in each voivodship by the local units of SAMOPOMOC CHLOPSKA Central Union of Agricultural Cooperatives, which are also authorized to carry on the turnover of these materials.

2. Crude oil, liquid fuels for engines, furnace oil. The Petroleum Products Center will establish a list of customers which it will supply directly. The allotment of liquid fuels for the rest of the customers is made in each voivodship by the District Petroleum Products Turnover Enterprise, which is also authorized to carry on the turnover of these materials.

3. Iron and steel metal products. The CENTROSTAL Steel Sales Center will establish a list of consumers which it will supply directly. For the rest of the customers, in each voivodship the district departments of the Steel Sales Center, which is also authorized to conduct the turnover of these materials, makes the allotments of metallurgical products.

4. Products of nonferrous metals industry. The Nonferrous Metals Trade Center will establish a list of customers which it will supply directly. The allotment of goods for the rest of the customers is made in each voivodship by the local units of the SAMOPOMOC CHLOPSKA Central Union of Agricultural Cooperatives, which are also authorized to carry on turnovers of these materials.

5. Chemical reagents. The Polish Chemical Reagents State Enterprise will establish a list of customers which it will supply directly. The allotment for the rest of the customers will be made in each voivodship by the CHEMIA District Chemical Trade Enterprise, which is also authorized to carry on the turnover of these materials.

6. Cables and conduits. The CENTROKABEL Cables and Conduits Sales Office will establish a list of customers which it will supply directly. The allotment of cables and conduits for the rest of the customers will be made in each voivodship by the ELMET District Enterprise for Trade in Technical Articles, which is also authorized to carry on turnovers of these materials.

7. Acid storage batteries. The EMA-ZBYT Electric Machine and Apparatus Technical-Trade Center will establish a list of customers which it will supply directly. The allotment of batteries for the rest of the customers will be made in each voivodship by the AGROMA district enterprise, which is also authorized to conduct the turnover of these materials.

8. Plastics. The CHEMIPLAST Enterprise for Commodity Turnover of the Plastics and Dyes Industry will establish a list of customers which it will supply directly. The allotment of plastics for the remaining customers is made in each voivodship by the CHEMIA District Chemical Trade Enterprises, which are also authorized to carry on the turnover of these materials.

9. Rubber. The STOMIL Enterprise for the Turnover of Rubber Industry Articles will establish a list of customers which it will supply directly. The allotment of rubber for the remaining customers is made in each voivodship by the CHEMIA District Chemical Trade Enterprises, which are also authorized to carry on the turnover of these materials.

10. Tires for motor vehicles, tractors, and farm machinery. The STOMIL Enterprise for the Turnover of Rubber Industry Articles will establish a list of customers which it will supply directly. The allotment of tires in each voivodship is made by the AGROMA district enterprises in the realm of tires for the needs of socialized agriculture, and by POLMOZBYT district enterprises in the realm of tires for automobiles and trucks, and these enterprises are also authorized to carry on the turnover of these materials.

11. Artificial fe tilizers. The AGROCHEM Enterprise for the Sales of Mineral and Chemical Fer'ilizers will establish a list of customers which it will supply directly. The allotment of artificial fertilizers for the remaining customers is made in each voivodship by the local units of the SAMOPOMOC CHLOPSKA Central Union of Agricultural Cooperatives, which are also authorized to carry on the turnover of these materials.

12. The Cement Sales Office will establish a list of customers which it will supply directly. The allotment of cement is made in each enterprise by the Building Materials Centers for small consumers of the socialized and local economy, and by units of the SAMOPOMOC CHLOPSKA Central Union of Agricultural Cooperatives for private customers, and these centers and units are authorized also to carry on turnovers of these materials.

13. Mineral wool mats and panels. The Office of Building Insulation Materials Sales will establish a list of customers which it will supply directly. The allotment for the remaining customers is made in each voivodship by the Building Materials Centers, which are also authorized to carry on the turnover of these materials.

14. Softwood lumber. The Wood Turnover Center will establish a list of customers which it will supply directly. The allotment of timber for the remaining customers will be made in each voivodship by the Timber Industry Enterprises, which are also authorized to carry on turnovers of these materials.

15. Wood-derived panels. The Office of Panels and Veneer Sales, PLYTOZBYT, will establish a list of customers which it will supply directly. The allotment of panels for the remaining customers will be made in each voivodship by the Building Materials Centers, which are also authorized to carry on the turnover of these materials.

16. Paper cellulose, paper, and cardboard. The Minister of Culture and Art sets the allotment of all paper for publishing purposes.

The Paper Turnover Office will establish a list of customers which it will supply directly. The allotment of paper and cardboard for the remaining customers can be made by the district ELMET enterprises on the basis of a contract with the Paper Turnover Office.

17. Protective clothing and personal protection equipment, fire-fighting equipment, and smothering agents. The local ELMET Enterprise for Trade in Technical Articles are authorized to conduct retail sales on the basis of agreements made with the SUPON Fire and Protective Equipment Technical Sales Center.

Materials Supply Principles

Warsaw GOSPODARKA MATERIALOWA in Polish No 5-6, Mar 82 p 101

[Circular: "Minister of Materials Management Circular No 2, Dated 23 February 1982 on the Principles of Material Supply to Construction Enterprises With Consideration Given to Enterprises Supervised by Voivodship Governors and on Voivodship Governors' Cooperating With Enterprises Handling Turnover of Distributed Materials"]

[Text] On the basis of Council of Ministers Resolution No 243, dated 30 November 1981 on the principles of the operation of state enterprises in 1982 and in keeping with the decisions of the Council of Ministers Economic Committee of 28 January 1982, the following principles are established for supplying materials to construction enterprises and for cooperation between voivodship governors and enterprises handling the turnover of distributed materials.

1. Distributed materials used in construction, that is, cement, electric power cables, metal goods, lumber, panels of wood origin are included in the technical material supply system established:

by Council of Ministers Resolution No 243, dated 30 November 1981 on the principles of the operation of state enterprises in 1982 (MONITOR POLSKI No 32),

by Minister of Materials Management guidelines, dated 29 December 1981 on the principles for the distribution in 1982 of fuels and raw and other materials included in compulsory intermediary (agency) service, with the supplements given in Points 3-6.

2. The other materials used in construction production

in keeping with Council of Ministers Resolution No 243 mentioned in Point 1, are not part of the distribution system or compulsory agency service, and in relation to them free contract turnover applies.

3. Units handling the turnover of the means of production authorized to distribute (Appendix No 6 to Council of Ministers Resolution No 243) perform the allotment of materials for registered customers, and the remaining amount of materials is distributed to the various voivodships. The allotments of materials for a voivodship will apply not only to the needs of construction but also to general consumption besides the registered consumers mentioned by the distributing units. (The manner of allotment for units of the Ministry of National Defense, the Ministry of Internal Affairs, and small-scale industry is established separately.)

In keeping with the guidelines of the Minister of Materials Management dated 29 December 1981 on the principles of distribution in 1982 of fuels, and raw and other materials included in compulsory agency service, the allotment of materials for the voivodship must be arranged by the turnover units in agreement with the corresponding supervisory team.

4. The turnover units should transmit to the voivodship governors a list of the major (registered) customers from the given voivodship that obtained registered allocations for distributed materials. The enterprises not on this list are supplied with distributed materials within the framework of the allotments for the given voivodship.

5. Allocations of materials for local allotment in the voivodship are received by the corresponding local turnover units mentioned in Appendix No 2 to the Minister of Materials Management's guidelines dated 29 December 1981. These units prepare the allotment of materials, including those for construction enterprises, assigning them first of all to those carrying out operational programs. They come to an agreement on the proposed allotment with the Voivodship Materials Management Group [WZGM]. If the materials supply situation is good, the WZGM may call for free sales without registered distribution.

6. Local materials turnover units are required to do the following at the request of the voivodship governor, in agreement with the WZGM:

apportion distributed materials for construction enterprises supervised by the voivodship governor and present for the governor's information a distribution list for these enterprises,

apportion distributed materials for construction enterprises supervised by the voivodship governor, leaving to the governor the distribution of these materials to the enterprises, except that the enterprises receive allocations from the materials turnover units.

7. In keeping with Decision No 8 of the Council of Ministers Economic Committee, dated 29 January 1982, on the intensification of local production of building materials, it is necessary

first of all in the allotment of distributed materials by the local units handling the trade of the means of production (allotment in the voivodship), to take into account the state enterprises undertaking the production of local building materials,

to the extent possible, to award additional allocations of distributed materials to units of small-scale industry undertaking local production of construction materials; the small-scale manufacturing units obtain basic allocations in keeping with the principles in force through the intermediary of the bodies coordinating their activity.

8. On the basis of Decision No 5 of the Chairman of the Council of Ministers dated 15 February 1975 on the creation of the Voivodship Materials Management Groups [WZGM], the voivodship governors may adapt the composition of these teams to the expanded tasks implied by the above-mentioned guidelines of the Minister of Materials Management, dated 29 December 1981.

9. In consideration of the specific nature of the construction process and of experience gained in the experimental inculcation of comprehensive active supply, it is recommended that efforts be undertaken to organize comprehensive construction site supply which bypasses the warehouses of the construction enterprises, regardless of the ministry to which they belong.

The construction supply functions in the voivodship should be entrusted to a specialized unit handling the comprehensive supply to construction and remodelling enterprises, building materials industry enterprises, single-family housing construction, and other consumers using building materials.

Minister, Dr Jan Antosik

Materials Supply Problems

Warsaw GOSPODARKA MATERIALOWA in Polish No 5-6, Mar 82 pp 102-104

[Article by Tadeusz Wojciechowski: "Problems of Supplying Articles Not Encompassed in the Distribution Program During the Period of Inculcation of the Reform"]

[Text] Nearly 70 percent of the total turnover of products, that is, raw and other materials and co-produced components is taking place under the conditions of the reform, at least theoretically, through sales and delivery contracts freely entered into, without the distribution system or compulsory participation in the middleman service system. Is this really the way it is, and what sort of laws govern this segment of the means-of-production market?

Always -- not just as the result of the reform -- a substantial share of supply turnover in Poland has been based on agreements freely made. This share of turnovers, for example, included all industrial co-production.

Nonetheless, in various branch systems, the individual components at the central and middle management levels used what is called "informal distribution," which consists of setting priorities and precisely allotting the bulk of commodities according to very differentiated criteria, often simply intended to protect the supply for their "own" -- this means intra-branch or intraministerial -- interests.

In the present scheme, one thing for certain has changed. The indirect level of management (industrial associations) during the period of their dissolution cannot perform the informal distribution of certain materials, but the ministries have far less impact on the possible execution of such recommendations (if they issue them) by either the units engaged in the turnover of the means of production or the producers.

This does not mean that such attempts and trends are not occurring, especially in view of the fact of the creation in 1982 (I hope that it will be temporary) of what are called branch plenipotentiaries, to replace in part the former industrial associations. On the other hand, there is increasing force in the development of a new informal distribution link, that is, the supply trade unit, which distributes articles which are not formally included in the distribution system but are in short supply.

Of necessity, they select their customers. They meet the needs of some in full, while limiting deliveries to others to varying degrees. They are generally guided by the criteria adopted for distributed items. Hence, for example, in 1982 first of all the needs related to carrying out what are called the operational programs are met, especially since the Office of Materials Management has issued appropriate instructions in this matter. Outside of this, however, in practice one sees that in the various elements of these units, particularly in wholesale trade, there is a mutual exchange

along with various sorts of protectionism. These units are enterprises, and from a formal point of view they can establish their sales policy entirely independently in this realm, unless the Council of Ministers or government body operating under its authority issues specific guidelines or voluntary recommendations in this area, as in the case of the operational programs.

In the segment of the means-of-production market encompassing items not in the distribution system, there are several new phenomena in 1982 that are of great significance to the course of the supply processes and the behavior of the various organizational units [plant and equipment].

1. A substantial number of enterprises that are producers of materials which they distribute through the intermediary of various trade agencies (mainly the so-called sales offices) refuse to avail themselves of their services and will try to handle sales independently or make some use of the services of freely selected wholesale trade organizations. This is entirely consistent with the principles of the reform and is limited only by the establishment (at least in 1982) of a small number of turnover organizations as trade middlemen who have been granted the monopoly to act as middlemen for a period of time*. These tendencies sometimes meet with favorable acceptance on the part of some customers.

Alongside the question of the maintaining or the restriction or limitation of certain intermediaries, there is the question of the information about sources of purchase and the new system of market relations and ties in this segment of the market. During the initial period of their formation, it will be difficult to become oriented as to the potential sources of supply and the system of sales performed by them. These difficulties are occurring even during the first half of 1982, and I think that it will be essential as quickly as possible to publish a new edition of the Polish Economics Press [PWE] "Informator Paopatrzeniowca" [Suppliers' Information Manual].

2. Against the backdrop of this phenomenon there will temporarily arise serious problems concerning the coordination of production and supply of certain items in territorial terms. So long as there is a shortage and therefore the possibility of a free choice of customers, the natural tendency of independent producers will be to give priority to customers located nearby or involved in mutual services. Hence, for example, it may happen that a metal basin producer will sell them (in the form of a delivery agreement for the entire year's production) to trade enterprises in the southern regions, leaving the rest of the country without any source of supply.

*Appendix No 8 to the Council of Ministers Resolution dated 30 November 1981 on the matter of the principles of operation of the state enterprises in 1982.

Given the fact that the economic administration has no formal grounds to question such an agreement, it is possible only to count of the "operation" of the market mechanism, that is, the selling of a portion of the basins (at a higher price plus profit margin) to other trade enterprises, but this mechanism will not work in the event of a very severe shortage.

I think that during the transition these tendencies can only be counteracted by the periodic issuance of monopoly authorization for trade agency (middleman) service to a given trade unit, which is charged with distributing the commodity volume at its disposal in the most objective way (this is to apply to certain types of products), while maintaining the priorities established on the national scale for a given period.

On the other hand, the extension of monopolies must be very moderately and carefully handled, and must be limited to those instances which are truly essential.

3. There are free prices for a substantial number of items not covered by the distribution system, especially throughout industrial coproduction. Therefore we cannot preclude the possibility that certain producers, especially those with monopolies (of a technological nature), will take advantage of the situation to rise prices to a higher level than what used to be called "Merchant solidarity" in prewar nomenclature, or firm solidarity, and was related to the concept of a decent profit.

Of course an excessive increase in the prices of coproduced components will have a direct impact on the price of the finished product, regardless of whether this is the above-mentioned component, a piece of machinery, or an item of mass consumption.

In the sphere of the functioning of supply, this phenomenon can carry along with it (I would say that it will surely carry along with it) the "natural" elimination of certain customers, who are simply unable to bear the price from the viewpoint of the profitability of their production. Against this backdrop there will be a periodic rise in intervention and disputes, but if the market mechanism is to be a fixed instrument in the future, then this problem must be approached with reserve. Gradually certain consumers of a given product will substitute others for it, reducing demand and lowering the price.

4. Against this background we will also be dealing with a problem which is occurring on a large scale, that of the real technological monopolists, the firms producing items not covered by the distribution system, in quantities inadequate for the country owing to objective causes, such as glue from the PRONIT Plastics and Dyes Plants in Pionki, which the whole footwear industry needs along with many other plants. Even without raising the price -- perhaps even more so because of not raising the price -- the independent, self-governing producer faces the necessity of choosing the customers to whom he sells his product. We shall therefore be dealing here too with the phenomenon of informal distribution, similar to that guided by the supervising ministry. I think that this is the weakest point in the system

of supply, permitting the formation of numerous improprieties, for example, against the backdrop of a subjective assessment of customer needs, but at this stage it is difficult to propose anything sensible to combat this phenomenon effectively.

During a later period, perhaps even during the second quarter of this year, the Minister of Domestic Trade and the Minister of Materials Management are to draft and present to the Sejm a draft law on commodity turnover. According to the initial assumptions, it is to contain elements of antimonopolistic regulations as well and to establish the permissible scope and circumstances for the state administration's restricting freedom of commodity exchange. These regulations should at least partially limit the danger that producers will abuse their monopolistic position, although I am afraid that it will be difficult to make it concrete enough, because usually in world legal experience [such regulations] apply to the creation of monopolistic ties aimed at achieving additional profits and not a monopoly stemming from technical conditions, even if a similar result is produced as a consequence.

The above-mentioned basic phenomena which are occurring (and which have partly already occurred) in 1982 in the turnover of undistributed items of technical-material supply are not an exhaustive list of the problems related to this realm of turnover.

Commodity turnover of undistributed materials, and therefore strictly speaking the turnover in a free-market assumption, should be based largely on the system of contracts freely entered into. The legal basis of sales and delivery contracts is the Civil Code and the Council of Ministers resolutions which regulate in more detail the principles for entering into contracts, especially the so-called general contract conditions, but under the conditions of the current reform, after the package of laws went into effect this February, a substantial portion of these regulations -- if not de jure then at least de facto -- ceased to fit. Some of the legal specialists feel that they should be nullified altogether, to leave the Civil Code as the sole legal basis of contracts. I share the view, but the issue needs more careful examination and elaboration. On the other hand, the Code must regulate a number of issues, such as the distributed items' supplier's duty to sign contracts. It may be that this can be settled in the above-mentioned draft law on commodity turnover. Of course, this would really make it possible to avoid the regulation of this problem outside the framework of a law.

An important and partly separate problem is industrial coproduction (here we are talking about both legal and organizational regulations). In Poland coproduction has always formally represented part of free commodity turnover, encumbered by the previously mentioned problems above, despite the lesser degree of independence in establishing a production plan. For this reason there have always been attempts by supervising bodies to coordinate it. On two occasions there have been special regu-

lations* issued in the attempt to treat coproduction agreements as a special sort of agreement, more lasting and certain in execution. These regulations have not been formally invalidated, but in the light of the 1981 law on the enterprise, the enterprise may be obliged to sign a contract only in a few situations, and coproduction relationships were not included among them (this also applies to the distribution system). I am only mentioning this subject, because I intend to take it up in a separate article, but it must be clearly stated that in the light of the legal situation in 1982 coproduction ties** must not be uprooted, this is true, but on the other hand there is no obligation to enter into new relationships either, if they are considered improper from the viewpoint of economic interests. Of course this does not mean that the various levels of the administration are not trying and will not try to assist in the forming and bolstering of coproduction ties between enterprises, especially since certain possibilities still exist for the so-called founding bodies to bring pressure to bear.

Finally, the turnover of materials which are excessive stock is the last of the problems of turnover of undistributed items (and in this case, this also includes distributed items) which we need to discuss. This turnover is entirely free. Material which represents stock considered under the previous nomenclature to be unnecessary or excessive may be sold to any civil or legal party. It is true that the haste in issuing the regulations concerning the principles of the functioning of the economy in 1982 meant that some lawyers interpret the compulsory agency service of commercial units mentioned in Appendix No 8 of the Council of Ministers resolution dated 30 November 1981 for material supply as also applying to improper stock, but this interpretation is incorrect.

The Minister of Materials Management confirmed in an official explanation the complete freedom for the "secondary" turnover of materials derived from improper reserves, except for precious and nonferrous metals, without compulsory use of the services of intermediaries. Of course, if the enterprise considers it useful, it is free to avail itself of middlemen.

On the other hand, what is disturbing is the fact that, as we can see from a great deal of information obtained from the units of small-scale industry, the sales of these materials from enterprises of key industry is still not going right, and even during the first quarter of 1982, it slowed somewhat. This is perhaps the result of maintaining the hope of using the material in their own factories, the fear of a growing shortage, or -- this would be less desirable -- there is still a reluctance to sell materials to small-scale industry, especially the crafts and trades.

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*Last resolution of the Council of Ministers No 96, dated 23 October 1980 (MONITOR POLSKI No 25/80) on industrial coproduction.

**In the above-mentioned Council of Ministers resolution of 30 November 1981 on the principles of the 1982 operation of state enterprises, this was established in Chapter I, §4.

I have tried to present the major problems and phenomena which will occur on the market of the means of production not included in the distribution system during 1982 and surely in 1983. The reader is likely to ask himself how the enterprise should behave under the conditions and what sort of behavior I would suggest for both the consumer and the supplier.

Here are a few suggestions I can make for consumers:

One should not rely on anyone's really effective help in resolving the problems of supply for items not covered by the distribution system. It is really necessary to overcome all sorts of difficulties independently.

A comprehensive analysis can be made of the previous ties with suppliers of undistributed materials and coproduction components also and even mainly from the viewpoint of the prices offered, fees for commercial services, and possibilities for reducing transport distances. It may be that despite the absence or existence of only slight competition, it is worthwhile to change the direction of emphasis to making contracts, to use the services of a different commercial agent, or to buy a certain material directly from the producer.

In the normal way it is necessary to try to "renew" contracts and agreements with those suppliers whom we consider appropriate under the new system. Of course new prices and delivery conditions should be negotiated.

There will still be a certain number of item assortments of undistributed materials for which we are not going to find a supplier or the supplier found or even a permanent one will not agree to sign a contract, or he cannot insure deliveries of the required amounts of the items or guarantee that other delivery conditions will be met.

Realistically we have only the following possibilities:

Continue to negotiate with this supplier, overing him even a higher price, if we can afford it,

Keep a look out also for other suppliers, using advertisements in the press, but this is not always possible under the conditions of a substantial technological monopoly of industrial production,

Conduct a technical analysis of the product (for example, using the value analysis method) to seek solutions consisting of the use of another component or material which is more readily available, making it in one's own plant, or simply eliminating it.

Despite what people think, the answer to the question: "but perhaps production is possible without it," according to Japanese research, 4 percent of the time the answer is in the affirmative, so this possibility must not be underestimated. I am alone in this view, but I think that it may be that intervention within industrial associations of enterprises and by various sorts of plenipotentiaries will produce only sporadic results. It may produce a beneficial result when we are carrying out production which is considered to be one of the so-called operational programs, but this is a solution which has been adopted for 1982, and I am not at all certain that it will be extended in this form.

In relation to enterprises of suppliers who for the moment will continue to be in a better situation (although everyone is simultaneously a consumer and supplier), I have only one suggestion, owing to the market situation. I have written about this many times in recent years, but I think that this is presently becoming a primary issue. The supplier of an undistributed item must start conducting a genuine systematic analysis of the demand on the section of the market in which he is operating. He cannot wage his own sales policy and pricing policy, without any ongoing orientation about fluctuations in demand, the appearance or development of competition, the appearance of substitute products on the market, and so on. This after all is also related to the position of what are called materials turnover units, that is, sales offices, wholesale enterprises, and so on, under the new conditions and market relations. I have already mentioned that the existence of some of these units, especially the agencies and organizers of sales of undistributed items is actually in danger. The supplier -- producer and consumer -- will in many instances think that the intermediary only extends the path for making a transaction and increases his sales costs or supply costs.

Unless the intermediary units can prove the meaning of his existence, for example, through a greater familiarity with the market or the introduction of facilitations for customers which they consider worth paying extra for, then it will gradually lose customers and will have to face the danger of economic self-sufficiency. This applies to a lesser degree to wholesaling enterprises, if they decide to expand their assortment of items or their forms of sales, for example, retail for small-scale manufacturing. But here too, especially during the period where shortages exist, we should count on difficulties in adequately "filling" warehouses with commodity volume. It is therefore essential many times over for these enterprises to build genuine business efficiency and to a great extent to change their traditional position and forms of operation in the turnover of the means of production. I am convinced that here too phenomena of real competition will most often emerge.

I think that in keeping with the targets of the economic reform, we are entering in the sphere of turnover of undistributed items of technical-material supply in a period where so-called "wolfish" market laws operate where the one who is better prepared and more flexible wins. I think that all enterprises must gradually develop protective and adaptive mechanisms

which will permit them to increase their possibility of winning in the role of both supplier and consumer.

Small-Scale Industry Supply

Warsaw GOSPODARKA MATERIALOWA in Polish No 5-6, Mar 82 pp 105-108

[Article by Andrzej Zawalski: "Principles of Technical-Materials Supply to Units of Small-scale Industry"]

[Text] The economic activity of units of small-scale industry is playing an important role in meeting social needs in both the production and services areas. It takes on particular significance in the period when economic difficulties are appearing. It is expressed in the capacity for rapid placement of the production program and flexible reaction to the changes taking place in terms of both the ability to obtain raw and other materials and the demand for finished products, and this in turn eases the effects of the crisis and accelerates our getting out of the economic difficulties.

An expression of this role of small-scale industry in our economic life is Council of Ministers Resolution No 112/81, which creates convenient organizational-economic conditions for its development. Among these conditions, technical-materials supply is of fundamental significance.

The concept of "small-scale industry" is rather broad and includes economic units which sometimes vary considerably among themselves.

In keeping with Council of Ministers Resolution No 112/81, small-scale industry includes the following:

Cooperative units,
State enterprises of local industry, and also some enterprises of key industry,
Crafts and trades,
Units carrying on economic activity within the framework of social organizations,
Companies formed between state and cooperative or crafts economic units,

Small-scale manufacturing is organizationally divided up into a number of "sectors" with separate coordinating mechanisms.

Among them are the following:

a) Cooperative Units:

Central Union of Workers Cooperatives,
Central Union of Invalids Cooperatives,
Central Union of Cooperatives of the Blind,
CEPELIA Central Union of Cooperatives of Folk and Artistic Handicrafts,

b) at the level of state enterprises of local industry -- appropriate voivodship organizations of these enterprises (for example, the industrial associations),

c) at the level of the crafts and trades -- Central Union of Crafts and Trades,

d) at the level of the enterprises and plants carrying on economic activity within the framework of social organizations -- National Commission for the Coordination of the Economic Activity of Social Organizations.

The units of small-scale industry differ in the scope of their activity (production, services) and usually have a small economic potential. When supply difficulties occur, it is just these units which may find themselves in a particularly disadvantageous situation. On the other hand the functioning of many areas of importance depends on their activity, areas of importance owing either to the fact that they meet the needs of the population (for example, services which have an impact on living conditions, the production of commonly used items) or to coproduction relationships with enterprises of key industry. Sometimes these units are sole specialized producers of certain goods (for example, protective clothing).

For this reason it is extremely important to create for this group of economic units the most favorable possible solutions in the system of technical-material supply.

Systems Solutions in the Organizations of the Process of Supply for Small-Scale Industry

The systems solutions introduced are by no means equivalent to insuring a surfeit of raw and other materials for units of small-scale industry.

Some of these solutions consist of eliminating barriers which hamper these units' access to various sources of supply for raw and other materials, while others create certain forms of priority in supplying them with technical materials.

The basic principles of supply for small-scale industry stem from the general solutions in Council of Ministers Resolution No 243/81. These solutions have been presented in detail in other articles. We are concentrating here solely on those among them in which the specific nature of small-scale industry has been accentuated.

It has been assumed that the needs of small-scale industry would be taken into account back at the stage when the balance-sheet of raw and other materials and equipment which are included in the central balance-sheet is drawn up. This list encompasses 89 raw and other materials and 10 groups of machinery and equipment.

On the outflow side of each of these balance-sheets estimates have been made for the sizes of deliveries taken as an overall total for small-scale manufacturing. These sizes are tentative in nature and are binding for the turnover units handling distribution only in the case of items covered by the distribution system (those mentioned in Appendices Nos 6 and 7).

Allotments for the various sectors of small-scale industry are set by the Council of Ministers Planning Commission.

This means that the total sizes of deliveries for small-scale industry set down in the balance-sheets for distributed articles determine the possibilities for allotment to its various sectors.

The bodies which coordinate the activity of the units of small-scale industry in the various sectors should therefore pay particular attention to the stage of formulation of the balance-sheets for materials and machinery, because it is at that very time that decisions are made about the size of the "pool" of distributed articles to which small-scale manufacturing will have access. The turnover units for which the delivery sizes set down in the balance-sheets for this group of consumers are obligatory are not basically in a position to change anything, except the listing of the specific items in the assortment.

As for the items on the central balance-sheets that are not included in the distribution system, the delivery sizes established for small-scale industry are merely tentative and cannot be treated as certainties.

Here the service which supplies small-scale industry plays a special role and in the course of its efficient actions it should try to "extract" these sizes of deliveries from the suppliers.

Nonetheless, the services supplying small-scale industry must remember that both the allocations of distributed items and the tentative delivery sizes of the rest of the items on the central balance-sheets give consumers no absolute assurances that they can buy the amount of these items which such an allocation or listing on the balance-sheet implies. This follows from the fact that, consistent with §16 of Paragraph 3 of Council of Ministers Resolution No 245/81, certain regulations of Council of Ministers Resolution No 192/73 on delivery contracts, which provided the obligation for a goods delivery contract to be signed between the supplier and receiver, was cancelled. Hence, because of the cancellation of §8 of Resolution No 192/73, the obligation for the signing of a contract between the supplier and the consumer disappeared, in the case where the consumer had an allocation for an item included in the official distribution system.

Eliminated too was the possibility of founding bodies' intervening in the process of the signing of contracts between suppliers and consumers, owing to the cancellation of §6, 7, 9, and 14 of Council of Ministers Resolution No 192/73. From this it follows that currently the allocation of an item

included in the distribution system should be treated by consumers only as a possibility of signing a contract with a supplier, which in turn may not sell those consumers more than the allocation implies, but the supplier can make a contract with such a consumer for a quantity smaller than implied by the allocation, if the actual production (or import) influx does not meet the demand of consumers with allocations and those without them (that is, those purchasing on the basis of contracts freely made with suppliers). Therefore, the consumers' receiving of the amount of the allocations -- and this applies as well to small-scale manufacturing consumers -- will depend on the following:

-- the carrying out of the balance-sheet upon which the dissemination of a given item was based,

-- the real course of production processes at the producers', the structuring of import deliveries (if they are on a given balance-sheet),

-- the effectiveness of coordination functions executed by the unit handling distribution in the realm of the turnover of a distributed item (for example, effective market analysis, cooperation with consumers and suppliers, the organization of proper sales channels, and so on).

The systems solutions adopted envisage that the allocations of items included in the distribution system will be established for the bodies which coordinate the activity of the various sectors of small-scale industry (they have been mentioned above).

These bodies in turn, or the units they indicate, make a further allotment to the various units of small-scale industry.

Practically, then, two solutions may be proposed:

a) the body which coordinates a specific sector of small-scale industry can directly allot the items included in the distribution system through an appropriate organizational group,

b) the coordinating body can authorize one organizational unit to make the detailed allotments on its behalf.

In the Central Union of Workers Cooperatives, for example, the latter solution has been adopted, as well as in the Central Union of Invalids Cooperatives, where there are in operation for this purpose separate enterprises (plants) which handle setting up the process of supplying units of small-scale industry in a given sector.

The localization of the supply function in small-scale industry is undoubtedly a solution which is favorable for the various economic units under the conditions where there are severe shortages of raw and other materials. Such services handle not only the organization of supply of

items covered by the distribution system or that of many items which are not covered by the distribution system but are hard to obtain. We can assume that the role and tasks of these centralized supply services will increase under the conditions of the new principles of supply, because these services should first of all in the course of their operations try to reach the point where they sign contracts with suppliers for deliveries of distributed items for the amounts implied by the allocations and also strive to make agreements with suppliers for items which are not covered by the distribution system but are listed on central balance-sheets.

They can also work more effectively to get suppliers to deliver other items which are not on the central balance-sheets but are conditions to the conducting of economic activity by the various units of small-scale industry (for example, adhesives, dyes and lacquers, thread, metal products, sanitation equipment, and so on).

These items, like the materials which are not covered by the distribution system but are on the central balance-sheets, are acquired in keeping with Council of Ministers Resolution No 243/81's provisions for contracts freely made. Under the conditions where there is a great shortage, the various units of small-scale industry could have great difficulties in obtaining the raw and other materials they need. The centralization of supply in small-scale industry may also facilitate the purchase of imported items both through improved cooperation with the various foreign trade enterprises and through the combining of agreements, the possibility of establishing more convenient delivery terms, and so on.

The operations of the units which handle centralized supply to small-scale industry should be based on trade contracts or agreements made with customers for whom they perform these services. These contracts should contain a specification of the mutual rights and duties of the parties, including the assortment range of items to be supplied by the intermediary, the scope of the supply organizer's responsibility to the customer, the amount of remuneration for the service, and so on.

Basic Sources of Technical-Material Supply for Small-Scale Industry

The small-scale manufacturing units make purchases of the materials they need and of other means of production, using various sources. The basic suppliers are the producers and the units handling the turnover of the means of production. The main determinants of the possibilities of buying from these sources are the balances and the particular supply-demand situation. It is possible to count on deliveries consistent with the allocations (with reservation, as has been done before) only in the cases of items covered by the distribution system. In relation to the needs, deliveries of materials from ongoing production for the benefit of small-scale industry have usually been inadequate. According to balance-sheet targets, in 1982 the situation will not improve either, but owing to the general economic difficulties one should count on a further decline in deliveries in relation to the sizes adopted on the balance-sheets.

In many units of small-scale industry, as in enterprises of key industry, serious shortages of materials and raw materials may occur as the result of the reduction in deliveries from previously normal sources of purchase. Only those units which are taking part in carrying out the operational programs are in a relatively favorable situation, because in keeping with Council of Ministers Resolution No 243/81, these consumers have priority in buying both distributed and nondistributed materials. This priority, however, is not equivalent to a supplier's obligation to sign a contract with such a consumer. It only provides a more favorable situation in a given consumer's efforts to sign such a contract or in the possible course of an appeal concerning a decision unfavorable to the consumer made by suppliers and, particularly, turnover units acting as required intermediaries (middlemen) (Appendix No 8 to Council of Ministers Resolution No 243/81).

Units of small-scale industry which perform services are in a particularly difficult supply situation, or can be. This problem has long been regulated in such a way that the units performing services to the population can purchase the materials they need in the general system of shops. This is regulated by Council of Ministers Resolution No 306/73, published in MONITOR POLSKI No 1, 1974. Nonetheless, the market situation in 1982 does not insure the possibility of covering small-scale industry's demand from this source.

Against this backdrop the next source of technical-material supply for small-scale industry, that is, unneeded stock and secondary and waste raw materials occurring in the national economy, takes on added significance.

In keeping with the provisions of Council of Ministers Resolution No 112/81, all barriers which up until now have hampered small-scale industry's direct access to these resources have been removed. Hence, it is to be anticipated that these reserves can be more rapidly administered and directed to the sphere of consumption.

In amended Council of Ministers Resolution No 164/71 on state organizational units' management and distribution of certain movable assets (consolidated text was published in MONITOR POLSKI No 24, 25 September 1981), important changes were introduced to bring substantial simplification to the course of buying up materials or machinery which represent reserves which a given enterprise does not need.

Here are the major changes:

The holder of improper reserves has complete freedom to choose a buyer who has expressed the desire to buy this sort of item. At the same time all categories of buyers are insured identical possibilities for purchase, that is, both units of the socialized economy and those of the nonsocialized economy, as well as physical parties.

The authority of supervising units have been cancelled regarding their reserving to themselves the management of the stock of certain particularly scarce items. In this connection the enterprise with stock it does not need can dispose of it at any moment without the obligation of asking for anyone's opinion or approval (all sorts of internal directives of industrial associations or ministries issued in this matter prior to 6 July 1981, that is, before the amendment of Council of Ministers Resolution No 164/71, automatically are void).

The obligation to list excessive stocks of certain materials or machinery with specialized units handling their clearance (such as BOMIS Center, PONAR-REMO Complex) has been revoked.

For small-scale manufacturing units acting as buyers this means the possibility of making direct purchases of materials and machinery that are improper reserves right from the holders of them without the need to incur additional costs for an intermediary (middleman).

Secondary raw materials and waste raw materials can represent an important source of supply for the units of small-scale manufacturing.

Council of Ministers Resolution No 184/81, which amends the resolution on the management of secondary metal raw materials (published in MONITOR POLSKI No 21, 1981) is making it possible for socialized and unsocialized buyers and physical parties to purchase directly what is called utility scrap iron from the economic units in which this scrap is produced. Hence the requirement of using the intermediary of units which handle the procurement of scrap iron (CENTROZLOM, for example) has been eliminated.

Following Council of Ministers Resolution No 184/81, an amendment was introduced in the Minister of Materials Management directive regulating this area (this directive, dated 30 August 1981, was published in MONITOR POLSKI No 23).

Broad facilitations were also introduced in the realm of the management of nonmetal secondary raw materials.

Following are provisions included in Minister of Materials Management Directive dated 30 August 1981 on the principles of setting up procurement of nonmetal secondary raw materials (as published in MONITOR POLSKI, No 23):

a) it is possible for buyers to purchase secondary raw materials directly from the units in which these raw materials are created; therefore the requirement to sell these raw materials first of all to units which handle their procurement is eliminated;

b) the authorized units' "monopoly" on the procurement of secondary raw materials has been eliminated, which means that the procurement of these raw materials may be performed by other economic units with appropriate

conditions for this, and this also includes units of the unsocialized economy.

The changes introduced in the principles of managing improper reserves and secondary raw materials may represent an important source of supply, especially for units of small-scale manufacturing. The large number of these units and the varying scale of their needs means that the purchase of the stock appearing in the enterprises may to a great extent alleviate the scale of the shortage of materials, but this will require great efficiency and initiative on the part of the sources of supply for the various units of small-scale industry.

Despite the commonly-held opinion about supply difficulties, improper reserves of materials continue to exhibit a high level, which fact is often related to a shortage of other complementary, related item assortments. On the other hand, the changes introduced in the production programs of key industry are also one of the reasons for the appearance of improper reserves.

The intensive penetration of these sources of supply, as represented by improper reserves and secondary and waste raw materials, should be undertaken by both the supply service of every economic unit and by the enterprises (plants) handling centralized supply in a given sector of small-scale manufacturing, but one should count on acess to these resources being increasingly difficult, owing to the competition among the various buyers and the resulting shortage of other materials which will force key industry to avail itself increasingly of secondary raw materials and waste raw materials in particular.

Finally, the last source of technical-material supply may be import. From the side of overall systems solutions, central imports from the countries of II payments area [capitalist countries] will include only the raw and other materials subject to central balance-sheet preparation. In other cases the consumer must provide for the foreign currency to buy imported materials. This foreign-exchange currency can come either from allowances from one's own export income or from foreign-exchange credit or other sources.

The solutions presented in this article show that, consistent with the targets of the economic reform, the units of small-scale industry must consider the consequences of the principle of basing every independent enterprise's economic operations on contracts freely made with contract partners. In the sphere of material supply this means that all the administrative means of influencing the relationships between suppliers and customers are ineffective. The extension of effective assistance in this area to the various units of small-scale industry by their founding bodies may therefore be limited in scope.

In the existing supply situation, the centralized course adopted for establishing allocations for distributed items under small-scale manufacturing conditions can facilitate the search for those items, but it cannot relieve the supply services of the various units of small-scale industry of the need for initiative and active striving to sign contracts with suppliers of distributed items. The change, which from the legal viewpoint concerns the nature and rank of "allocation authority" (that is, relieving suppliers of the legal obligation to sign contracts with the consumers with this "authority") charges all customers, including the units of small-scale industry, with the obligation to arrange more careful cooperation with suppliers.

The differentiated scope of operation of the small-scale manufacturing units and the resulting demand for various sorts of materials (usually in limited amounts), given the existing shortage of materials, calls for the creation of joint supply services or the entrusting of these functions to designated enterprises or plants specializing in setting up and arranging for supply.

Such a solution is possible only in the case of voluntary agreements among units of small-scale industry and the signing of appropriate trade contracts. The introduction of such solutions in the administrative channels would run contrary to the targets of the economic reform.

In connection with the absence of an adequate amount of many materials (distributed and nondistributed), there is the need for small-scale manufacturing to make more intensive use of all sources of supply, especially excessive reserves and secondary raw materials occurring in the national economy above all.

The facilitations contained in the legal regulations for management of these resources by both units of the socialized economy and by units of the nonsocialized economy create favorable conditions the utilization of which will depend to a great extent on the efficiency of the units of small-scale industry.

Producer Prices Reform

Warsaw GOSPODARKA MATERIALOWA in Polish No 5-6, Mar 82 pp 108-113

[Article by Jerzy Chabros: "Producer Prices and the Principles for Setting Prices"]

[Text] As of 1 January 1982 the producer price reform went into effect. The basis for the implementation of this reform was Council of Ministers Resolution No 133 on the principles for the establishment and reform of sales prices for raw and other materials and other means of production, as well as charges for energy and power and for transportation of goods. The above-mentioned resolution defined on the one hand the new principles for setting producer prices, which were in the future to insure that they would be continually updated and prevent the degeneration of the system

of the prices on the means of production, and on the other hand contained decisions on the reform of these prices once and for all as of 1 January 1982, in order to create initial conditions for the further operation of the new principles of sale prices.

Based on the provisions of the resolution and the indices set down in it for the increase in the sale prices of basic raw and other materials, the appropriate price-list groups (operating mainly in the industrial associations) drew up detailed price lists, which were then approved by the State Price Commission. After publication, these price lists were sent for dissemination. We are including a list of the above-mentioned price lists and the units which distribute them in an appendix to this article.

As practice has shown during all previous price reforms, it takes a longer period of time to draw up price lists, because we are dealing with industrial and investment production which goes through many phases, and as a result the changes in raw and other materials prices are shifted to successive stages of manufacturing up to and including the final product, and feedback occurs here. For this reason, it was necessary to use a simplified manner of transition to the new price level in the price-lists of goods produced in processing industries.

In keeping with the State Price Commission guidelines dated 19 January 1981 (and the supplement to these guidelines dated 30 September 1981), the teams drawing up the price lists have defined only the conversion factors (coefficients) for commodity groups within the framework of a given price list or for whole price lists. These indices were approved by State Price Commission decisions (more than 140 decisions were issued altogether) and in keeping with the regulations of Resolution No 133/81 were to be used, beginning 1 January 1982, in the conversion of the prices which had previously on the old price lists to the new price level. The use of these conversion factors for invoicing and clearing purposes were treated as temporary solutions to be used until proper price lists were introduced.

Principles for Drafting Prices for Material-Supply Goods

The course presented for drafting and introducing the new producer prices was changed in connection with Council of Ministers Resolution No 243, dated 30 November 1981 on the principles of operation of the state enterprises in 1982 (MONITOR POLSKI No 32, Item 287), because this resolution introduces new price categories and principles for establishing them.

Consistent with the regulations of this resolution (85, Paragraph 1), in turnovers the enterprises use official prices, regulated prices, and contract prices or free prices.

Official prices are set by the Council of Ministers or the proper body of the state administration according to its guidelines (in the realm of

prices on the means of production this body is the State Price Commission with the exception of charges for domestic freight transport by rail, or by motor or water transport, which the Minister of Transportation sets).

In the realm concerning the sphere of producer prices, official prices are set on the means of production and on services which are of fundamental significance for manuracturing costs. The list of these means of production and services included in Appendix No 3 to Resolution No 243 of 30 November 1981 includes: hard coal, lignite and coke, crude oil and furnace oil, piped and bottled gas, electric power, metal ores and scrap, products of ferrous and steel metallurgy, nonferrous metals products, timber and sawn lumber, cement, cellulose, cotton and wool, chemical fibers, rawhide, rubber, apatites and phosphorites, sulfur and sulfuric acid, chemical fertilizers and fertilizer lime, grain, industrially produced fodder and fodder additives, domestic rail transportation of freight, and motor and water transport. Official prices are also set for salts, spirits, ethyl gasoline, and diesel oil, gold, and other precious metals.

Official prices on the means of production with a basic impact on manufacturing costs, including in particular the prices of raw and other materials, are set on the basis of prices in free foreign-exchange turnovers in foreign trade. Practically speaking, these are the prices which occur in turnovers with the countries included in II payments area [capitalist countries], but in relation to raw and other materials which are imported, the basis used is the prices paid for imports last year (and in particularly justified instances, during the last 2 quarters) with consideration given to the prices resulting from the contracts already made for future deliveries. The same way is used to create prices on raw and other materials which are partially imported and partially supplied from domestic sources.

On the other hand, with regard to the sale prices of domestic raw and other materials which are exports (for example, coal, sulfur) the level used is that implied by the average prices obtained for exports of the product (with attention given to the contracts already made for future deliveries). Finally the sale prices of raw and other domestic materials which are neither imported nor exported but appear in international turnovers are established in keeping with expected prices formulated on the basis of postings on commodity exchanges or other reliable sources of information.

It should be added that although in the past corrections in sales prices have been made every 5 years on the average, or even less frequently, the changes in the sale prices of basic raw and other materials now will be monitored each year and corrected in cases where the difference between the official price and the mean price in international free foreign-exchange turnovers in foreign trade is more than 10 percent. It is envisaged that such changes will basically be introduced as of 1 January, but in the event of great changes in the foreign trade price level, the changes may be also introduced during the calendar year.

The level of the rate of exchange adopted for foreign currency is very important in setting domestic sale prices based on the prices being used in foreign trade. In the past this rate of exchange was set at a level close to the average cost of obtaining the foreign currency unit ($) in export. These exchange rates are currently being set at a higher level. To set new sale prices on the basic raw and other materials in effect beginning 1 January 1982, the currency exchange rate adopted was 50 zlotys on the dollar (at the moment the decision was made the mean cost of obtaining a dollar in export amounted to about 37 zlotys).

Back during the latter half of 1981 the dollar exchange rate was increased to 55 zlotys, and as of 1 January 1982 it was raised to 80 zlotys. The adoption of a rate of exchange at a submarginal level is to insure the 80-85 percent profitability of Polish exports (it therefore represents a form of export promotion), limiting the scope of budget subsidies used, but the consequence of this is the disruption of the uniformity of the producer price reform, because the prices of basic raw and other materials are presently based on the exchange rate of 50 zlotys on the dollar, while the prices of other imported means of production are based at the rate of 80 zlotys on the dollar. This changes too the export picture calculated at the higher rate (80 zlotys on the dollar), but, on the other hand, a substantial share of the goods exported (basic raw and other materials) are based on a lower rate of exchange.

It is not always possible to base domestic sale prices on the prices being used in foreign trade. If there are no conditions to set prices on domestically produced means or production or services on the basis of foreign trade, these prices are based on mean production costs incurred in the manufacture of the given commodities or the rendering of the services, with consideration given to the profit necessary to insure that the enterprises which produce these goods or render these services can maintain their self-financing.

In justified instances the official prices on the means of production (services) may be set at a level lower than that implied by the costs of their production. In that case the enterprises may be given an appropriate budget subsidy.

It should be added that in the event of great differences between the production costs incurred by the various enterprises manufacturing a uniform product for which official prices have been set, the Minister of Finance, at the request of the ministries concerned, may establish the appropriate principles for compensatory accounting (§11 of Resolution No 278, dated 30 December 1981 -- MONITOR POLSKI No 1, 1982, Item 1). Such principles have already been introduced, for example, in the coal and cement industries.

The regulated prices are set by the enterprise-producers (sellers). These prices are established for the following:

1) materials the delivery of which is based on distribution lists or which is covered by the requirement of using an intermediary agency (middleman), but which have no official price lists established for them (Appendix No 6 is a list of distributed materials, and Appendix No 8 is a list of the materials for which an intermediary (middleman) is required, both appendices to Resolution No 243, dated 30 November 1981),

2) imported means of production the import of which occurs within the framework of foreign-exchange funds designated for the purpose and which are not on an official price list,

3) basic means of production for agriculture: farm equipment and machinery, farm tractors, and pesticides.

The general formula for the producers' setting of regulated prices (those of the sellers) is described in the regulation of §8, Paragraph 1-3 of Resolution No 243 dated 30 November 1981. More detailed principles for setting them have been set down in the State Price Commission guidelines of 22 December 1981, which were transmitted to the enterprises by way of the industrial associations back in December 1981.

In keeping with these guidelines, regulated prices for domestically-produced commodities are established at the level derived from calculating the enterprise's prime production costs, taking the following into account:

1) profit surcharge calculated on the processing cost according to the rate in effect,

2) turnover tax or subsidy in the amount specified by the Minister of Finance,

3) trade margins calculated according to the rates in effect.

As for the calculation of the prime cost, in figuring it the previous regulations of Directive No 21/80 of the Chairman of the State Price Commission, dated 11 July 1 80 (DZIENNIK URZ CEN No 20, Item 157) should be used. In this calculation the enterprises should take the following into account in particular:

--prices of raw and other materials as well as those of other means of production in effect in 1982,

--changes in wages introduced on the basis of government decisions,

--changes in the principles for financing remuneration and social expenditures, principles of financial administration, and the clearing of accounts with the state budget (Resolution No 243 of 30 November 1981).

The profit surcharge recognized in the price of the product is set by the enterprise which produces the given item. This surcharge is determined according to the following formula:

$$N = \frac{8\% \; F \cdot wl}{Kp} \times 100$$

where:

N is the profit surcharge expressed as a percentage of processing costs (processing costs are taken to be the total direct (prime) cost minus direct materials costs along with the purchase costs accompanying them, the costs of outside processing, and the costs of insurance and losses from defects),

F wl is the [firm's] own fund financing fixed assets, nonmaterial and legal values, and working capital,

Kp is the total sum of processing costs (for the previous year).

If the profit surcharge resulting from this calculation turns out to be less than 10 percent, the enterprise may use profit amounting to 10 percent of processing costs in calculating the prices of its products.

The rates of profit margins, sales commissions, and supply surcharges in the turnover of the means of production for which regulated prices are established (and also official prices) should be adopted at the level set by the State Price Commission.

If the product has earned a quality hallmark, its price can be increased:

by 5 percent for quality "1"
by 10 percent for quality "Q"

Taking into account the fact that regulated prices created by the enterprises during the first few months of 1982 will come into being under conditions where there is incomplete and inaccurate information concerning the various cost elements (for example, the price calculated on the basis of group indicators for the rise in prices of the means of production, which may later prove to be inconsistent with contract prices for the various means of production), these prices should be monitored no later than 6 months from the date they are set. This verification should consist of the enterprises' making appropriate corrections in the calculation of the cost used as the basis for setting prices for those items for which they were calculated on the basis of erroneous assumptions.

Contract prices are set in turnovers between economic units for the goods and services not included in the regulations on official and regulated prices. These prices are set by the supplier with the customer, and the price level agreed upon must be confirmed in writing by both parties to the contract.

Free prices do not differ in essence from contract prices. They occur in market turnovers, and their level is established by the producer (seller). The acceptance of these prices (agreement) by the buyer (consumer) takes place by virtue of the very decision to buy the commodity or order the service. For this reason the draft law on prices does not include free prices any more as a separate price category but treats them as contract prices.

Application of Prices

The principle of independent setting of free and contract prices by the sellers must not mean that they are entirely arbitrary. This particularly applies to the situation in 1982. Consistent with the guidelines of the Chairman of the Council of Ministers Economic Committee dated 30 December 1981 (published in TRYBUNA LUDU on 2-3 January 1982), the authorization to set and increase prices should be used with moderation. This means that the prices of various items in 1982 should not basically exceed the level calculated from production costs, the turnover tax rate in effect, and necessary profit. This principle should apply not only to the prices of market items but also to contract prices of producer goods, which have a decisive impact on the level of the final product.

In the setting of prices, a reliable calculation of prime costs and the undertaking of action favoring their reduction are essential.

The Presidium of the Council of Ministers Economic Committee issued to the appropriate bodies of the Ministry of Finance and the State Price Commission the recommendation that they monitor the manner in which producers set prices and introduce the necessary sanctions in the event their monopolistic position is used to obtain excessive profits and also in the event that prime costs are not calculated in a straightforward manner.

In order to counteract the adverse phenomena appearing in the realm of the setting and application of prices, a Price Inspectorate was established (Resolution No 23 of the Council of Ministers, dated 27 January 1982), whose tasks include the following:

Monitoring the propriety of the calculation of official and regulated prices, especially costs, profit, turnover tax, product [goods and services] subsidies, and profit margins,

Monitoring the extent to which principles concerning the setting of regulated prices are respected,

Monitoring the level of contract and free prices as well as the costs and profitability of goods and services for which prices are set.

As we can see from this, both in the realm of contract and free prices, the Price Inspectorate will occupy itself with assessing their level in the

context of the structuring of costs and profitability, except that in the event the excessively high costs are discovered, the regulation concerning the possibility of imposing the obligation to turn over to the state budget a sum amounting to 150 percent of the improper profit obtained will not apply here (sanctions of this type can occur only for official and regulated prices); there will only be the possibility of:

introducing the obligation of using regulated prices instead of free or official prices,

asking the appropriate minister to apply service sanctions against the director of the economic unit in which the prices established glaringly violated the principles in effect or the social interest.

The introduction of new price categories and new principles for setting them in a manner different from those principles previously in effect had an impact on changing the course of the producer price reform. In particular this is related to substantial expansion of the scope of application of contract prices which are estimated to encompass 70-80 percent of the total value of production of the means of production in the turnover of the means of production. In this situation, the price lists for certain raw and other materials elaborated and issued prior to Resolution No 243, dated 30 November 1981 can partially encompass items which since 1982 have fallen within the scope of official prices and partly to the sphere of regulated and contract prices. In this latter case the prices given on the price lists have no binding force, and they can be treated as tentative prices, but the appropriate economic unit may set regulated prices on the basis of the authority it has obtained or may set contract prices in agreement with its contract partners. The same also applies to price conversion indices, which can be replaced by regulated prices or contract prices. Until regulated or contract prices are established, prices contained in the price lists previously in effect, with consideration given to the conversion indices (coefficients) approved by the State Price Commission should be used in turnovers between enterprises of the socialized economy and in pricing the outflow. Decisions approving the indices have been transferred to the appropriate ministries and industrial associations by the State Price Commission.

Reassessment of Reserve Supplies

In connection with the reform of producer prices unprecedented in previous reforms insofar as the scope, scale, and results are concerned, there has arisen the need to reassess reserve stock and to clear the result with the state budget. This matter should be presented more comprehensively. Appendix No 12 to Resolution 243 of 30 November 1981 contains provisions concerning giving enterprises their own working capital, insuring that they will be covered at least to the extent of 30 percent. The enterprise must obtain the shortfall in working capital in other ways, mainly by using bank credit, which of course creates additional burdens for them, owing to the cost of this credit, but for obvious reasons the budget cannot provide them with any greater financial resources of their own.

To provide for this minimum, it therefore proved necessary to take exceptional steps, that is, by introducing the obligation to reassess reserve supplies according to the level as of 1 January of this year and to turn over to the budget the difference in their values, which difference was used to bolster the units needing it. It was only in market trade that somewhat different principles were applied (in certain instances the budget took only 70 percent of the difference in value).

The current reassessment differs from those made in the past in one other respect. In previous years it brought the value of reserve supplies to the level of future purchase prices, and was therefore at the same time a measure which stabilized the enterprise's cost level from the first moment that the new prices were in effect. For the present reassessment this can be said only of items for which there are official prices, but they represent a small percentage of all materials produced and consumed, so in many enterprises their consumption is of no decisive significance for the level of operating costs. The prices of the rest of the items for which there are regulated prices can and will in the near future exhibit substantial fluctuations. In addition the basis for the reassessment is largely the conversion indices, and they are not close enough to make the level of future prices realistic. The results of the present reassessment can therefore in a very limited realm be considered to be a measure of the actual level of the enterprises' operating costs this year.

The "guidelines" of the Chairman of the State Price Commission and the Minister of Finance, dated 4 February 1982, on reassessing reserve supplies of producer-capital goods were sent to the enterprises by way of the ministries, and they were also published in the DZIENNIK URZEDOWY [Official Gazette] of the Minister of Finance. They are binding on all units except market trade enterprises, and they contain provisions intended to produce the desired financial effect (putting the necessary amount of funds at the disposal of the budget) while restricting those technical-computation operations related to reassessment which are labor-intensive and therefore extremely burdensome for the enterprises.

The reassessment is based on:

Price lists of the State Price Commission (41 price lists for raw and other materials),

Conversion indices approved through State Price Commission decisions (133 decisions for certain item-assortment groups),

Prices for coproduction deliveries, if they were agreed to in contracts for this year made before the end of this past January,

Index of 1.5 in relation to the previous value of materials bought last year at fixed or uniform periodic prices,

Index of 2.0 in relation to previous values for cases not included in the fundamentals previously mentioned.

The reassessment has been limited to those reserve stocks of truly great significance. A number of exclusions from the assessment have also been introduced with regard to reserve stocks of materials. The components of reserve stocks subject to exclusion are listed below. These exclusions should be adopted even if there is a conversion index or price approved by the State Price Commission for the given component of the reserve stock of materials. Subject to exclusion are:

Spare parts designated for use in the course of remodelling and maintenance of one's own fixed assets and the enterprise's own nondurable objects. In this way a very numerous and diverse group of reserve supplies which represent a relatively small share of the total value of material supplies has been excluded from the reassessment requirement.

Materials solely or mainly for general economic purposes (except for solid and liquid fuels). The determining factor making it possible to single them out is the way they relate to operating costs. Their consumption is part of the enterprise's overall costs, such as general plant costs and department costs in industry or commercial costs in trade.

Materials derived through coproduction, if contracts for new prices for them have not been arranged by the end of January. If there are no such prices, index reassessments would be too remote from reality.

Imported materials bought last year at transaction prices. Reserves of them are considerably lower than in prior years. In addition, up until last year a large share of imports were calculated in periodic uniform or constant prices, and such reserve supplies are subject to reassessment.

Unnecessary [surplus] reserve supplies, in the terms of the regulations of the Minister of Finance's directive dated 2 March 1979, turned up before the end of last year. There is no meritorical justification for reassessing them.

Reserve supplies of employee cafeterias, as an item of entirely marginal significance.

For unfinished production (production in progress, partly-finished products) and finished products, the subject of reassessment, as in previous years, has been narrowed to the direct materials used to make them. Here an indicator may be used, for the total consumption of direct materials. The conversion index should be applied in relation to the value of reserve supplies reassessed in terms of their value in last year's prices. This is exceptionally important as a simplification for very complicated products, which usually make it impossible to set an exact production cost for each part or subassembly.

As is usual in such cases, the "guidelines" could not provide a binding solution for every possible atypical situation. For this reason they provide for the possibility of the appropriate minister's expanding or narrowing the scope of reassessment, provided that the decision is approved by the Minister of Finance.

Appendix. List of Producer Price Lists for Means of Production and Services of Basic Significance to Manufacturing Costs (Included in Official Prices) Together With the Units Which Distribute These Price Lists

1. Hard coal, lignite, and coke

Number and name of price list:

1-Z/82 -- Hard and brown coal
21-Z/02 -- Coke and semi-coke

Price-list distributors:

1) Division of Job Publishers, ul Warszawska 5, 81-969 Gdynia
telephone: 20-88-49

2) Division of Job Publishers, ul Warynskiego 12, 85-950 Bydgoszcz
telephone: 22-57-15

3) Division of Job Publishers, ul Lagiewnicka 39, 30-959 Krakow
telephone: 653-39

4) Dom Ksiazki Book Store
ul Nowotki 12, 00-201 Warsaw
telephone: 31-14-17

2. Crude oil and furnace oil, fuel oil, ethylene

Name and number of price list:

116-Z/82 Crude oil

Price-list distributor:

Ministry of Chemical and Light Industry, ul Wspolna 4, 00-201 Warsaw
telephone: 28-30-59

Name and number of price list:

135-Z/82 -- Petroleum products and synthetic liquid fuels (official prices for furnace oil and prices in effect since 22 November for fuel oil and ethylene)

Price-list distributors:

CPN [Petroleum Products Center]
Enterprise for Petroleum Products Turnover in the 17 former voivodships

3. Bottled and piped gas

Number and name of price list:

5-Z/82 -- Gas from coking plants and gas-coking plants

Price-list distributor:

Ministry of Mining and Power Industry, ul Krucza 36, 00-921 Warsaw
telephone: 28-22-71

Number and name of price list:

6-Z/82 -- Gas fuels for distribution (list distributed by source given in point L)

4. Electric power

Number and name of price list:

7-Z/82 -- Electric power (list distributed by source given in point L)

8-Z/82 -- Electric power (supplied by industrial electric plants for state power industry [utilities] network). List is distributed as in point 3. (supplied to economic units involved, without the placement of orders)

5. Metal scrap and ore
6. Products of ferrous and steel metallurgy
7. Nonferrous metals products

Number and name of price list for 5.-7.:

indices in effect as approved by the State Price Commission

Price list distributors for 5.-7.:

Ministry of Metallurgy and Engineering Industry, ul Krucza 38/42, Warsaw
telephone: 211-011, extension 567

State Price Commission, ul Swietokrzyska 12, 00-916 Warsaw
telephone: 27-48-49

8. Timber and sawn lumber

Number and name of price list:

251-Z/82 -- Wood (official prices only for sawmill lumber)
252-Z/82 Boards and partly-finished sawmill products (official prices only only for board lumber

Distributed as in point 1.

9. Cement

Number and name of price list:

154-Z/82 -- Cement, industrial and construction lime, plaster binders (official prices only for cement)

Distributed as in point 1.

10. Cellulose

Number and name of price list:

258-Z/82 -- Woodpulp, semichemical bulk, cellulose (official prices only for cellulose)

Price list distributor:

Industrial Association for the Paper Industry, ul Wieckowski 33, 90-934 Lodz
telephone: 265-71

11. Cotton and wool

Number and name of price lists and their distributors

201-Z/82 -- Cotton, distributed by Association of the Cotton Industry, ul Sienkiewicza 3/5, 90-950 Lodz, telephone: 252-80

204-Z/82 -- Unwashed wool, distributed by Polnoc [North] Association of Wool Enterprises, Al Kosciuszki 3, 90-418 Lodz, telephone 254-80

12. Chemical fibers

Name and number of price list:

111-Z/82 -- Chemical fibers

Distributed as in point 1.

13. Raw hides

Number and name of price list:

219-Z82 -- Preserved rawhides (purchase prices)
220-Z/82 -- Preserved rawhides (sales prices)

Both lists distributed by:

Center for Textile and Leather Raw Materials, ul Piotrkowska 148/151
90-063 Lodz, telephone: 638-33

14. Rubber

Number and name of price list:

122-Z/82 -- Natural and synthetic rubbers

Distributed as in point 1.

15. Apatites and phosphorites

Number and name of price list:

126-Z/82 -- Phosphorites and apatites

Distributed as in point 2.

16. a) Sulfur

Number and name of price list:

101-Z/82 -- Mined chemicals (official prices only for salts and sulfur)

Distributed as in point 1.

b) Sulfuric acid

Number and name of price list:

State Price Commission decision No DL-Z-221/81, dated 31 December 1981, distributed to interested economic units by the State Price Commission

17. Chemical fertilizers and fertilizer lime
18. Grain, industrially-produced fodder, and fodder additives

Number and name of price lists for 17.-18.:

Were not covered by the producer price reform introduced as of 1 January 1982
Retail prices change 15 February 1982 for chemical fertilizers and fodder

19. Domestic transport of freight by rail, motor transport, and water transport

Number and name of price lists, with distributors:

Polish State Railroads fee schedule for freight, distributed by the Publications Storehouse, Direction of District State Railroads

Fee schedule for forwarding and motor transport of freight, distributed by the State Motor Transport enterprise divisions (in the 17 former voivodships)

Fee schedule for transport of shipments in large containers by the PSK [Domestic Dispatching Enterprise], distributed by the Divisions and forwarding services of PSKs

Fee schedule for PKS transport of shipments, distributed by PSK divisions and forwarding services

Fee schedule for inland freight transportation, distributed by the following offices of the PPZ [State Shipping Enterprise]:
1) ul Grodzka 17, Bydgoszcz
2) ul Wojska Polskiego 8, Gizycko
3) ul Krowoderska 5, Krakow
4) ul Zomojskiego 2, Warsaw
5) ul Klaczkowska 50, Wroclaw

The above list shows that producer price lists may be categorized in two groups. The first group consists of general-use price lists for items consumed by broad groups of buyers. These price lists are distributed by the Job Printers in Bydgoszcz, Gdynia, and Krakow and by the Dom Ksiazki book store in Warsaw.

The second group consists of price lists of interest to a narrow range of buyers, because they apply to the enterprises of a given ministry. These price lists are distributed by the ministries mentioned or by units of them.

It is noted that ministry price lists are needed by a restricted group of customers, for example, the wool and cotton price list by the yarn-works of the wool and cotton industry (these price lists contain only the prices of wool and cotton fibers; the prices of cotton and wool yarn have the nature of contract prices), the rawhide price list by tanneries, the prices of crude oil by the petrochemical plants.

The Ministry of Transportation publishes transport fee lists. Their distribution is handled by the units of the Ministry of Transport listed above.

At the same time, it should be mentioned that because the first edition is out of print, there has been another printing of the price lists, which will then be sent for sale in the sales points designated.

Steel Industry Supply Principles

Warsaw GOSPODARKA MATERIALOWA in Polish No 5-6, Mar 82 pp 114-116

[Article by Stanislaw Mrowiec, Deputy Director of the CENTROSTAL Steel Sales Center: "Principles for Supplying the Country With Products of the Iron and Steel Industry in 1982"]

[Text] The implementation of the economic reform is making it necessary to introduce changes in the realm of the supply of technical materials. These issues are regulated in a basic way by Council of Ministers Resolution No 243, dated 30 November 1981, on the principles for the operation of state enterprises in 1982 along with attachments and appendices (MONITOR POLSKI No 32, dated 30 December 1981, Item 287). Chapter 3 of that resolution translates into concrete terms the general principles of technical-material supply and defines the jurisdiction of the Council of Ministers Planning Commission, the Office of Materials Management, and the various turnover units in the realm of the balancing and distribution of 16 groups of scarce materials of particular importance to the national economy.

The products of steel and ferrous metallurgy have been included in the goods balanced by the Council of Ministers Planning Commission and distributed by the CENTROSTAL Steel Sales Center in Katowice.

The basic changes in this realm apply to the following:

Relinquishment of the balancing of the country's needs in the ministerial scheme while simultaenously protecting certain directions of economic activity through operational programs established in Appendix No 1 to Council of Minister Resolution No 278, dated 30 December 1981 (MONITOR POLSKI No 1, dated 15 January 1982).

The elimination in the distribution system of past intermediary structures, that is, that of the ministries and industrial associations, and the introduction of distribution to registered allotted customers with allocations and other consumers supplied by CENTROSTAL regional branches.

In order to systematize the new balancing and distribution principles for metallurgical products and for the placement and execution of orders in 1982, CENTROSTAL has developed a suitable manner of proceeding. We are presenting its major points below.

Metallurgical Products Supply Process for 1982

A. First Half of 1982

Owing to the compulsory lead time for the placement of orders for domestically-produced metallurgical products as well as for imported ones, it

has become necessary to issue allocation authorizations earlier. In the meantime, however, there has been no precise review concerning balance-sheet methods and forms of distribution. At the same time it became necessary to satisfy the needs of customers and provide steel-mill/suppliers with a suitable portfolio of orders. Hence, CENTROSTAL was forced to issue allocation authorizations the old way for economic-type ministries which previously were listed on the balance-sheets, using initial projections of the sizes of production and imports as the basis, as set by the Council of Ministers Planning Commission.

Authorization was issued this way:

for delivers from domestic production for the first two quarters of 1982,

for deliveries of imports from second payments area [capitalist countries] for the first half of 1982, except for item assortments with a long lead time, for which authorization was already issued for all of 1982.

B. Second Half of 1982

1. General Principles

In order to normalize the matter of distribution, metallurgical products customers were divided up into two groups:

those which will receive registered allocation authorizations from CENTROSTAL in Katowice,

those which will not receive registered allocation authorizations, whose orders will be handled out of the allocation pool of the appropriate local CENTROSTAL regional divisions.

In establishing the list of limited registered customers, the criterion of size of previous consumption of metallurgical products was used. The list of these customers includes about 350 enterprises and is in press, to be made available in the very near future to all interested parties.

2. Announced Demand

To establish the demand of registered limited customers and provide them with appropriate allocations during the latter half of 1982, it was necessary for these units to sent CENTROSTAL the appropriate information in this realm.

Therefore the enterprises involved were approached with the request that they express their needs by the deadline by assortment segregation with a breakdown by the operational programs they are carrying out. Most of the registered customers met the established deadline, 15 February 1982, and gave their needs by then. These materials are now being reviewed in

order that the appropriate decisions may be prepared in the realm of allocations.

The rest of the consumers are relieved of filing their needs with CENTROSTAL in Katowice, but they should contact the CENTROSTAL regional divisions in their areas to discuss initially the principles for carrying out their needs during the latter half of 1982.

3. Allocations Authorizations

The new way, as we have mentioned, provides for two groups of customers, that is:

a) Registered alloted consumers. On the basis of the demands expressed and the amount of balance-sheet inflow, CENTROSTAL will issue registered allocation for the third and fourth quarters of 1982 in keeping with the list of deadlines for issuing authorizations.

b) The rest of the customers. In the light of the targets for limiting registered distribution, an allocations pool will be set aside for the rest of the customers, which will not be required to follow the principle of announcing their needs. The quarterly allocations pool for these customers will be sent to the CENTROSTAL regional divisions.

4. Placement of Orders

The following principles have been established for placing orders:

a) Orders by registered allotted consumers: On the basis of allocations received from CENTROSTAL, registered allotted consumers draft orders the old way (designating the symbol according to the technical-materials code) on the PuGM 225 forms in use. Depending on the amount ordered, the orders are filed:

directly with the branch CENTROSTAL Sales Offices for the amounts listed below or above these minimums. [see table on next page]

in the appropriate local CENTROSTAL regional divisions for amounts smaller than those listed in the table. The previous regional range of operation will remain unchanged for the regional divisions of CENTROSTAL.

Orders to both CENTROSTAL and to the regional divisions should be made using "Order Lists" according to the old model of the PuGm 236 with three copies, on which the unit director will show h · approval to the orders being made with the allocation received.

Copies of the list of orders which registered consumers have filed with the regional divisions are sent by them back to the CENTROSTAL Sales Offices appropriate for the branch for the purpose of clearing of accounts.

Minimum Amounts of Goods Qualifying Orders for Filing With Branch Sales Offices of CENTROSTAL Steel Sales Center (applies to registered allotted consumers)

	(a) Nazwa wyrobu	Symbol branżowego Biura Zbytu właściwego do przyjmowania zamówień opiewających w każdym asortymencie na następującą (b) ilość i powyżej			
		6Mg	10Mg	24Mg	84—84Mh
	1	2	3	4	5
(c)	1. Wyroby walcowni hutniczych ze stali klasy 1—3, w tym:			ZZ	
(d)	— szyny normalnotorowe i tramwajowe				ZZ
(e)	— kształtowniki z prof[illegible]y Katowice				ZZ
(f)	2. Wyroby ze stali klasy 4—9 walcowane na gorąco i zimno		ZS		
(g)	3. Wyroby walcowni blach ze stali klasy 1—3, w tym:			ZB	
(h)	— blachy walcowane na gorąco i na zimno			ZB	
(j)	— blachy ocynkowane, ołowiowane, ocynowane, lakierowane i pokryte tworzywami			ZB	
(k)	4. Rury stalowe, w tym:				
(m)	— rury bez szwu Ø508—273,1 mm w tym:		ZR		
(n)	— rury kołnierzowe	ZR			
(o)	— rury bez szwu Ø273,0 mm i poniżej			ZR	
(p)	— rury ze szwem Ø168,1 mm i powyżej w każdej ilości do Biura ZR				
(q)	— rury ze szwem poniżej Ø168,1 mm			ZR	
(r)	5. Taśma walcowana na zimno klasy 1—9, w tym:		ZP		
(s)	— taśmy bezkrzemowe i w gatunku BS187			ZS	
(t)	6. Pręty ciągnione i tuszowane klasy 1—9		ZP		
(u)	7. Profile gięte na zimno			ZP	
(v)	8. Bednarka ocynkowana			ZP	
(w)	9. Akcesoria kolejowe			ZP	
(x)	10. Koła obręcze i pierścienie kuto-walcowane — każda ilość w Biurze ZO				

[Key]

(a) Name of product
(b) Symbol of branch sales office appropriate to accept orders in each item assortment for the following amounts or more
(c) Grooving rolling mills of steel grades 1-3:
(d) streetcar and standard-guage tracks
(e) sections produced at the Katowice Mill
(f) Products of hot- and cold-rolled steel, grades 4-9
(g) Sheet-metal products of steel grades 1-3:
(h) hot- and cold-rolled sheet metal
(j) galvanized, lead- and tin-plated, painted, and plastic-covered sheet metal
(k) Steel pipe:
(m) seamless pipe Ø508-273.1 millimeters:
(n) flanged pipe

(o) seamless pipe Ø 273.0 millimeters and below
(p) pipe with seam Ø168.1 millimeters and up in any amount to ZR office
(q) pipe with seam under Ø168.1 millimeters
(r) Cold-rolled strip grades 1-9:
(s) non-silicon strips and that in category BS15
(t) Drawn and peeled bars grades 1-9
(u) Cold-rolled pliable sections
(v) Banding steel
(w) Forged-rolled hoop and ring steel -- any amount at ZO Office

Designations of letter symbols in colums 2-5:

ZZ -- Ordinary Steel Sales Office
ZS -- High-grade Steel Sales Office
ZB -- Sheet-metal Sales Office
ZR -- Pipe Sales Office
ZP -- Metallurgical Processing Sales Office
ZO -- Forged Products Sales Office

b) By other consumers. Registered unallotted-allocations consumers file all orders, regardless of the amounts of goods ordered, with the ENTROSTAL regional divisions appropriate for their area, by the deadlines previously in effect. In view of the scarcity of metallurgical products, the materials pool for the group of the rest of the registered unallotted consumers is limited and will be designated first of all to provide for economic purposes related to the operational programs.

c) General remarks. Orders for metallurgical products:

Designated as input for pipe and rod drawing mills,
Designated for the construction and renovation of steam boilers of high and intermediate pressure and high-pressure containers,
Boiler pipe of grades 2 and 3 requirements,
Pipe of allocation groups 6210, 6220, and 6230,
Drilling pipe,
ZETOM and RPW-received pipe,

should be placed with the CENTROSTAL sales office appropriate for the branch, regardless of the amount ordered, and registered customers cover these orders with the allocations received in keeping with the provisions given above in point 3a.

In certain selected item assortments of metallurgical goods the system of what is called "direct relationships" is introduced. It consists of issuing authorization to customers with the supplier-mill indicated. Customers who receive such authorization sent orders for full amounts directly to the supplier-mills indicated, in order to make contracts bypassing CENTROSTAL Steel Sales Center.

Separate regulations and principles will be used for the supply of consumers working in the realm of services on behalf of the country's defense and security.

5. Carrying Out Orders

a) Orders placed directly with the CENTROSTAL Branch Sales Offices will be sent, as in the past, to the suppliers for execution, that is, to the country's steel mills, foreign trade enterprises, or, in the case of deliveries from imported reserves, to the CENTROSTAL regional division. Suppliers make contracts for deliveries directly with the ordering parties.

b) Orders placed with the CENTROSTAL regional divisions may be executed from one of the following sources, depending on the amount being ordered:

Domestic production,
Reserve supplies of the regional divisions' warehouses,
Through organized transit.

The regional division signs contracts for delivery with the ordering parties.

6. Import Deliveries From Payments Area II [Capitalist Countries]

Authorization for import deliveries from the second payments area [capitalist countries] were issued for the first half of the year or else for the entire year 1982. Orders placed on the basis of this authorization and orders which are carry-overs from 1981 basically exhaust the annual import capabilities. Any possible supplement must each time be approved by the appropriate CENTROSTAL Sales Offices.

We are also pointing out that §8 of the above-mentioned Council of Ministers Resolution No 278, dated 30 December 1981, regulates the issues related to imports from payments area II.

7. Steel Castings and Forging

In the realm of the method of distribution, the placement of orders, and the production of freely forged forgings, CENTROSTAL is issuing separate instructions.

At the same time, we are taking this opportunity to provide the information that as of 15 March 1982 CENTROSTAL will cease to be a steel castings balancing and distribution unit or to act as an intermediary in the placement of orders.

Direct ties between the customer and the producer are the sole form of supply of steel castings to customers.

In transmitting the above major items of information to all users of metallurgical products, CENTROSTAL is asking people to please apply precisely the method given above for the supply of metallurgical products to the country, particularly with regard to the deadlines for expressing needs and placing orders.

Adherence to the method established will make it possible to supply the country more effectively with metallurgical products using the new forms of operation, but it should be emphasized that in exceptional cases CENTROSTAL will reserve to itself the right to introduce appropriate supplements or changes, and consumers will immediately be notified in this event.

We are also providing the information that, in keeping with the regulations in effect, a supervisory group on metallurgical affairs has been created for CENTROSTAL in Katowice, in order to resolve possible disputes in the realm of distribution. The scope of this group's tasks is specified in the Minister of Materials Management's decision no 6 of 21 January 1982. The manner of expressing needs, balancing, distribution, and wholesale and retail sales in 1983 will immediately be conveyed to consumers after the appropriate decisions on these matters have been made.

In closing, we wish to say that all information, explanations, and supplementary data on the matters presented above are provided by the Office of Materials Management and the branch sales office of CENTROSTAL Steel Sales Center in Katowice at 7 Wit Stwosz Street.

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August 23, 1982